DUKE ENERGY. FLORIDA

Dianne M. Triplett
ASSOCIATE GENERAL COUNSEL

July 27, 2015

VIA ELECTRONIC FILING

Ms. Carlotta Stauffer, Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Duke Energy Florida, Inc.'s Petition for Issuance of a Nuclear Asset-Recovery Financing Order and Motion to Consolidate

Dear Ms. Stauffer:

Please find enclosed for filing on behalf of Duke Energy Florida, Inc. ("DEF"), documents to open a new docket. The filing includes the following:

- DEF's Petition and Motion to Consolidate as referenced above, with attached Exhibits A and B; and
- Direct Testimony of Bryan Buckler with attached Exhibit Nos. ____ (BB-1), (BB-2a), (BB-2b), (BB-2c), (BB2d), and (BB-2e);
- Direct Testimony of Patrick Collins with attached Exhibit Nos. ____ (PC-1) and (PC-2);
- Direct Testimony of Michael Covington with attached Exhibit Nos. ____ (MC-1) and (MC-2);
- Direct Testimony of Marcia Olivier with attached Exhibit Nos. ____ (MO-1A), (MO-2A), (MO-2B), (MO-3A), (MO-4A), (MO-5A) and (MO-6A).

Thank you for your assistance in this matter. Please feel free to call me at (727) 820-4692 should you have any questions concerning this filing.

Respectfully,

Dianne M. Triplett

DMT/db
Enclosures

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Duke Energy Florida, Inc. For Issuance of a Nuclear Asset-Recovery Financing Order	Docket No. _____ Submitted for Filing July 27, 2015

DUKE ENERGY FLORIDA, INC.'S PETITION FOR ISSUANCE OF A NUCLEAR ASSET-RECOVERY FINANCING ORDER AND MOTION TO CONSOLIDATE

Duke Energy Florida, Inc. ("DEF" or the "Company"), pursuant to Sections 366.04(1), 366.05 and 366.95, Florida Statutes, and in accordance with the 2013 Revised and Restated Stipulation and Settlement Agreement ("RRSSA") approved by the Florida Public Service Commission ("PSC" or the "Commission") on November 12, 2013, in Order No. PSC-13-0598-FOF-EI in Docket No. 130208-EI, and DEF's Petition For Approval to Include in Base Rates the Revenue Requirement for the Crystal River Unit 3 ("CR3") Regulatory Asset filed on May 22, 2015, in Docket No. 150148-EI, respectfully petitions the Commission for the entry of a nuclear asset-recovery financing order (a "Financing Order") substantially in the form attached hereto, and for approval of DEF's reasonable and prudent nuclear asset-recovery costs related to the premature retirement of DEF's Crystal River Unit 3 Nuclear Power Plant (this "Petition").

In support of this Petition, DEF is submitting the direct testimony and exhibits of DEF witnesses Bryan Buckler, Michael Covington, Marcia Olivier and Patrick Collins of Morgan Stanley, DEF's Structuring Advisor.

I. Preliminary Information

1. The Petitioner's name and address are:

   Duke Energy Florida, Inc.
   299 1st Avenue North
   St. Petersburg, Florida 33701

2. Any pleading, motion, notice, order, or other document required to be served upon DEF or filed by any party to this proceeding should be served upon the following individuals:

Dianne M. Triplett
Dianne.triplett@duke-energy.com
Duke Energy Florida, Inc.
299 1st Avenue North
St. Petersburg, Florida 33701
(727) 820-4962 / (727) 820-5041 (fax)

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Matthew.bernier@duke-energy.com
Duke Energy Florida, Inc.
106 E. College Avenue, Ste. 800
Tallahassee, FL 32301
(850) 521-1428 / (850) 521-1437 (fax)

3. DEF is the utility primarily affected by the request in this Petition. DEF is an investor-owned electric utility, regulated by the Commission, and is a wholly owned subsidiary of Duke Energy Corporation. The Company's principal place of business is located at 299 1st Avenue North, St. Petersburg, Florida 33701.

4. DEF serves approximately 1.7 million retail customers in Florida. Its service area comprises approximately 20,000 square miles in 35 of the state's 67 counties, encompassing the densely populated areas of Pinellas and western Pasco Counties and the Greater Orlando area in Orange, Osceola, and Seminole Counties. DEF supplies electricity at retail to approximately 350 communities and at wholesale to Florida municipalities, utilities, and power agencies in the State of Florida.

II. Background

5. On November 12, 2013, in Order No. PSC-13-0598-FOF-EI, the Commission approved the RRSSA between DEF, the Office of Public Counsel ("OPC"), the Florida Industrial Power Users Group ("FIPUG"), the Florida Retail Federation ("FRF"), and White Springs Agriculture Chemicals, Inc. d/b/a PCS Phosphate ("White Springs") (hereinafter collectively "Settlement Signatories").

6. The RRSSA resolved a number of outstanding issues, and permitted DEF to create the "CR3 Regulatory Asset" to include capital cost amounts and revenue requirements associated with all CR3-related costs, including the categories listed on Exhibit 10 to the RRSSA.

7. Pursuant to paragraph 5e of the RRSSA, DEF is authorized to increase its base rates by the revenue requirement for the CR3 Regulatory Asset upon the expiration of the Levy Nuclear Project ("LNP") fixed charge of $3.45, provided for in paragraph 11 of the RRSSA. DEF petitioned to terminate that LNP fixed charge on March 2, 2015, effective in May 2015, and the Commission approved that request in Order No. PSC-15-0176-TRF-EI on May 6, 2015.

8. Accordingly, DEF filed a petition for approval to include in base rates the revenue requirement for the CR3 Regulatory Asset on May 22, 2015, in Docket No. 150148-EI. In Docket No. 150148-EI DEF expressed its intent to petition the Commission for a Financing Order pursuant to House Bill 7109 enacted by the Florida Legislature and codified in relevant part as Section 366.95 of the Florida Statutes, to issue lower cost "nuclear asset-recovery bonds" to securitize the CR3 Regulatory Asset.

9. As permitted by Section 366.95(2)(c)1.b., Florida Statutes, DEF requests that the Commission approve DEF's petition to issue a Financing Order to finance DEF's nuclear asset-recovery costs and financing costs.

10. DEF requests that the Commission issue a Financing Order, substantially in the form attached, for DEF to implement nuclear asset-recovery financing as provided for in Section 366.95, Florida Statutes. Specifically, DEF requests that the Commission approve the issuance of nuclear asset-recovery bonds in an amount equal to (a) DEF's nuclear asset-recovery costs consisting of its CR3 Regulatory Asset balance as determined pursuant to Docket No. 150148-EI plus (b) upfront financing costs plus (c) carrying

charges accruing at 6.0% per annum on the CR3 Regulatory Asset balance from December 31, 2015 through the date of issuance of the nuclear asset-recovery bonds (the "Securitizable Balance"). A summary of the Securitizable Balance subject to DEF's request in this Petition is set forth in the attached document identified as Exhibit A.

11. In order to facilitate review of the matters presented in this Petition and help ensure that the requisite elements needed to satisfy rating agency conditions, obtain favorable tax treatment, and otherwise ensure the benefits associated with the issuance of nuclear asset-recovery bonds, DEF has attached a proposed form of financing order to this Petition as Exhibit B ("Financing Order"). DEF requests issuance of the Financing Order substantially in the form proposed.

12. DEF requests that the Commission consider and approve the relief requested in this Petition within the 135 day period set forth in Section 366.95(2)(c)1.b. in order that nuclear asset-recovery bonds may be issued, and that the purposes of this Petition be achieved.

III. Eligibility for Financing Order

13. DEF is an "electric utility" as that term is defined in Section 366.8255 and used in Section 366.95(1)(d).

14. Subject to Section 366.95(2)(b), DEF filed its May 22, 2015 Petition with the Commission for review and approval of the nuclear asset-recovery cost. That resulted in the creation of Docket 150148-EI. Because the instant petition is being filed July 27, 2015, which is more than 60 days after the filing of the May 22, 2015 petition, DEF fulfilled the required 60 day advance filing requirement.

IV. Request for Nuclear Asset-Recovery Financing Order

15. DEF seeks a Financing Order, substantially in the form of Exhibit B, pursuant to the provisions of Section 366.95, in order to establish nonbypassable nuclear asset-

recovery charges collected on a per-kWh basis from all applicable customer rate classes over a repayment period not to exceed 20-years. The nuclear asset-recovery charge will be nonbypassable, and must be paid by all existing and future customers receiving transmission or distribution services from DEF or its successors or assigns under Commission-approved rate schedules or under special contracts, even if the customer elects to purchase electricity from an alternative electric supplier following a fundamental change in regulation of public utilities in this state, pursuant to Section 366.95(1)(j) and Section 366.95(2)(c)2.c., Florida Statutes. The right to impose, bill, collect, receive and adjust such charges, together with the revenue derived therefrom, is defined under Section 366.95 as "nuclear asset-recovery property." The nuclear asset-recovery charges will be added to the applicable rates charged on each customer's or other person's or entity's bill. The right to impose, bill, collect and receive the nuclear asset-recovery charges, and to obtain periodic adjustments to the nuclear asset-recovery charges, and all revenues, collections, claims, rights to payments, money, or proceeds arising from such rights and interests (sometimes referred to as "nuclear asset-recovery property") will be sold to a special purpose entity (the "SPE"), a limited liability company whose sole member will be DEF. Upon the sale of the nuclear asset-recovery property, all nuclear asset-recovery property authorized under the Financing Order will arise and constitute an existing, present property right or interest. The SPE will acquire the nuclear asset-recovery property from DEF with the proceeds of nuclear asset-recovery bonds, the repayment of which will be secured by a pledge and security interest in the nuclear asset-recovery property, the cash used to capitalize the SPE, and any other collateral provided under the indenture securing the nuclear asset-recovery bonds, as further described in this Petition and the supporting testimony. The SPE will be a transferee, purchaser, acquirer, assignee

or pledgee of nuclear-asset-recovery property as provided for in Section 366.95(5)(a)5., Florida Statutes.

16. As described in more detail in DEF's supporting testimony, DEF proposes to finance its nuclear asset-recovery costs (and related bond issuance costs) with the issuance of nuclear asset-recovery bonds using the securitization process permitted by Section 366.95. Securitization, generally, is a process in which an owner sells a cashflow-generating asset or assets for a lump-sum upfront payment, done in a manner that legally isolates the cashflow generating asset(s) from the credit quality of the seller. The sale process is intended to protect investors from any changes in credit circumstances, or even the bankruptcy, of an entity that sold the asset(s). Therefore, the "credit" of a securitization is the ability of that asset(s) to produce a set of payments (or cashflows) for investors, who purchased that a securitized interest in that asset(s). In the context of utility securitization, a utility, in this case DEF, is the owner of the cashflow-generating asset, in this case, nuclear asset-recovery property, a property right that is created pursuant to a statute and a financing order. The utility then sells that securitization property to the newly established SPE, which functionally does nothing else but purchase the securitization property and issue the nuclear asset-recovery bonds to investors in order to fund that purchase. This sale between two entities is done to achieve a bankruptcy-remote sale, also referred to as a legal "true-sale" for bankruptcy purposes, which legally isolates the securitization property from the seller of the securitization property. In order to have the necessary funds needed to purchase the securitization property, the SPE issues the nuclear asset-recovery bonds to investors, collateralized by the securitization property. In exchange for the nuclear asset-recovery bonds, investors pay an upfront price, which is passed through the SPE back to the utility as consideration for the securitization property.

17. In order to accomplish the financing, subject to the Commission's approval, DEF will need to enter into several agreements with the SPE, drafts of which are attached to the testimony of Bryan Buckler and co-sponsored by Patrick Collins. The LLC Agreement for the SPE is the key organizational and governing document for the SPE. The Administration Agreement provides for the administrative functions that DEF would provide to the SPE. The Nuclear Asset-Recovery Property Purchase and Sale Agreement provides for the terms and conditions of the sale of the nuclear asset-recovery property to the SPE that will issue the nuclear asset-recovery bonds. The Nuclear Asset-Recovery Property Servicing Agreement details the services that DEF will provide to the SPE principally with respect to billing and collection of the nuclear asset-recovery charges. DEF requests that the Commission approve the substance of the form of each of these agreements between DEF and the SPE in connection with the issuance of the Financing Order. Drafts of these agreements are filed with this Petition in order that the Commission may evaluate the principal rights and responsibilities of the parties thereto. The final versions of these agreements, however, will be subject to change based on the input from rating agencies, investors and other parties involved in the structuring and marketing of the nuclear asset-recovery bonds. DEF has also submitted with its supporting testimony a copy of the proposed form of the Indenture that is contemplated for use in connection with issuance of the nuclear asset-recovery bonds. DEF asks the Commission to approve the substance of the Indenture, subject to such changes based on the input from rating agencies, investors and other parties involved in the structuring and marketing of the nuclear asset-recovery bonds.

V. Nuclear Asset-Recovery Costs

18. Section 366.95(2)(a)1. requires that an electric utility petitioning the Commission for a financing order shall "describe the nuclear asset-recovery costs". Accordingly, the

following is a summary of the nuclear asset-recovery costs incurred and to be incurred by DEF. The supporting testimony of Ms. Olivier addresses DEF's nuclear asset-recovery costs.

19. The nuclear asset-recovery costs that DEF intends to finance using nuclear asset-recovery bonds consist of the costs that comprise the CR3 Regulatory Asset associated with the early retirement of CR3. CR3 is DEF's nuclear generating asset that generated electricity and is located in Florida. The Commission deemed the early retirement of CR3 reasonable and prudent through its approval of DEF's RRSSA on November 12, 2013 in Order No. PSC-13-0598-FOF-EI. Also, as required by Section 366.95(a)(k), Florida Statutes, the pretax costs to be securitized exceed $750 million and the costs eligible for recovery pursuant to Section 366.93, Florida Statutes, that are included in the CR3 Regulatory Asset are those that were included in DEF's rate base and base rates before retirement.

20. As discussed in Ms. Olivier's testimony, the cost amounts contained in DEF's CR3 Regulatory Asset, as defined in her direct testimony filed on May 22, 2015 in Docket 150148-EI meet the definition of nuclear asset-recovery costs pursuant to Section 366.95(1)(k), Florida Statutes. A Motion to Consolidate Docket 150148-EI with this Docket is being made with this Petition.

21. The costs that comprise DEF's CR3 Regulatory Asset include the net book value of the retired CR3 nuclear plant; costs associated with construction projects that were in progress at the time of the CR3 retirement; inventories of nuclear fuel, materials and suppliers; certain deferred expenses; accumulated carrying charge through December 31, 2015; and the portion of the cost of removal of the regulatory asset associated with CR3.

22. Docket No. 150148-EI contains a description of each cost item that comprises the CR3 Regulatory Asset. The balance of the CR3 Regulatory Asset at December 31, 2015

is projected to be $1.298 billion. DEF also requests, pursuant to Section 366.95(1)(k)2., to recover as a nuclear asset-recovery cost carrying charges accruing at 6.00% per annum on DEF's CR3 Regulatory Asset balance from December 31, 2015 until the date of issuance of the nuclear asset-recovery bonds consistent with the RRSSA.

VI. Portion of Nuclear Asset-Recovery Costs to be Financed

23. Section 366.95(2)(a)2. requires an electric utility petitioning the Commission for a Financing Order to indicate whether the utility proposes to finance all or a portion of the nuclear asset-recovery costs using nuclear asset-recovery bonds. If the utility were to propose to finance a portion of such costs, the utility must identify the specific portion in the petition. DEF has submitted with this Petition the supporting testimony of Ms. Olivier. As described in Ms. Olivier's testimony, DEF proposes to finance the entire balance of the CR3 Regulatory Asset that is approved by the Commission as requested in DEF's petition and included in Ms. Olivier's direct testimony filed on May 22, 2015 in Docket No. 150148-EI.

VII. Estimated Financing Costs

24. Section 366.95(2)(a)3. requires an electric utility petitioning the Commission for a Financing Order to estimate the total financing costs (as defined in Section 366.95(1)(e)) related to the nuclear asset-recovery bonds, including the estimated costs of the nuclear asset-recovery bonds issuance. DEF has submitted with this Petition the supporting testimony of Bryan Buckler with respect to DEF's estimated financing costs related to the nuclear asset-recovery bonds.

25. Certain financing costs will constitute costs of issuing the nuclear asset-recovery bonds and will be recovered from the proceeds of the nuclear asset-recovery bonds. These financing costs are referred to as "upfront bond issuance costs" and include, without limitation, counsel fees, structuring advisory fees and expenses, any interest rate lock or

swap fees and costs (including the cost, if any, associated with interest rate hedges), underwriting fees and original issue discount, rating agency and trustee fees (including trustee's counsel), servicer's set-up costs (including information technology programming costs), auditing fees, printing and marketing expenses, filing and registration fees, and the costs of the financial advisor retained by the Commission.[1]

26. Mr. Buckler's testimony provides a description of such upfront bond issuance costs, as well as a schedule of such estimated costs set forth in Exhibit No. __ (BB-1). In addition to debt service, on the nuclear asset-recovery bonds, there will be expenses incurred throughout the life of the nuclear asset-recovery bonds in order to service, support and administer the nuclear asset-recovery bonds as well as ongoing operation of the SPE. As set forth in Exhibit No. __ (BB-1), those "ongoing financing costs" include servicing fees; return on invested capital, administration costs, auditor fees, regulatory assessment fees, legal fees, rating agency surveillance fees, trustee fees, independent director or manager fees, and miscellaneous other fees associated with the servicing of the nuclear asset-recovery bonds. Debt service, as well as these ongoing financing costs, will be recovered through the nuclear asset-recovery charges. Disparities will be resolved periodically through the true-up adjustments. Upfront bond issuance costs and ongoing financing costs are discussed in more detail in the supporting testimony of Mr. Buckler.

VIII. Estimated Nuclear Asset-Recovery Charges

27. Pursuant to Section 366.95(2)(a)4., DEF must estimate the nuclear asset-recovery charges necessary to recover the nuclear asset-recovery costs and financing costs and the period for recovery of such costs.

[1] The estimates of the Commission's financial advisor fee included in the upfront bond issuance cost reflected in Mr. Buckler's Exhibit No. __ (BB-1) are not proposed amounts; rather they are estimated to the best of our ability and will be updated through the issuance advice letter procedure. The actual fees of the Commission's financial advisor to be recovered as an upfront bond issuance bond are subject to Section 366.95(2)(c)5., Florida Statutes and Commission determination.

28. As discussed in the testimony of Ms. Olivier, DEF has computed the nuclear asset-recovery charges in accordance with Section 366.95. Nuclear asset-recovery charges shall be paid by all existing and future customers receiving transmission or distribution service from DEF under Commission-approved rate schedules or under special contracts. Section 366.95(2)(c)2.g., Florida Statutes, requires that charges be allocated in the manner in which these costs or their equivalent were allocated in the cost-of-service study that was approved in connection with DEF's last rate case and that is in effect during the nuclear asset-recovery charge annual billing period. Accordingly DEF proposes to allocate the nuclear asset-recovery charge in the same manner consistent with the allocation methodology in DEF's most recent rate case, approved on March 5, 2010 in Order No. PSC-10-0131-FOF-EI. The allocation factors were applied to the total first year revenue requirement (as presented in Ms. Olivier's Exhibit No. __ (MO-1A)) in order to allocate the revenue requirements to each customer rate class. Next the rate for the secondary metering level was calculated by dividing total revenue requirements for each customer rate class by the effective kWh sales at the secondary metering level for each customer rate class. Then the rates for primary and transmission metering levels were calculated by applying metering reductions of 1% and 2%, respectively, from the secondary rate. Then these rates were grossed-up to reflect uncollectible account write-offs and the regulatory assessment fee to arrive at the nuclear asset-recovery charge by rate schedule.

29. As shown in Exhibit No. __ (MO-4A): (i) the proposed initial nuclear asset-recovery charge for a residential (1,000 kWh) bill is estimated to be $3.17; (ii) the proposed initial nuclear asset-recovery charge for a commercial customer (under a general service demand rate schedule) is estimated to be 0.219 cents/kWh; and (iii) the initial nuclear asset-recovery charge for an industrial customer (under an interruptible service rate schedule) is estimated to be 0.179 cents/kWh.

30. DEF has also included in Exhibit No. __ (MC-1) attached to Michael Covington's testimony a proposed formula-based mechanism for making expeditious periodic adjustments in the nuclear asset-recovery charges that customers are required to pay under the Financing Order. As discussed in the testimony of Mr. Covington and Mr. Collins, at least every six months (and at least every three months after the scheduled final payment date of the last tranche of the nuclear asset-recovery bonds), DEF, or a successor servicer, will file a petition or letter applying the formula-based true-up mechanism for the Commission staff's review. The staff's review would be limited to whether there is any mathematical error in the application of the formula-based mechanism relating to the amount of any over collection or under collection of nuclear asset-recovery charges and the amount of any adjustment. These "true-up adjustments" will ensure the recovery of revenues sufficient to provide for the payment of debt service and ongoing financing in respect of the nuclear asset-recovery bonds. In addition to the semi-annual true-up adjustment, DEF proposes an optional interim true-up at any time, for any reason. Furthermore, the servicer may also make a non-standard true-up adjustment to be effective simultaneously with a base rate change that includes any change in the rate allocation among customers used to determine the nuclear asset-recovery charges. In accordance with Section 366.95(2)(c)4., the Commission would have 60 days in which to approve a true-up adjustment.

IX. Rate Mitigation Expectations

31. Section 366.95(2)(a)5. requires an electric utility petitioning the Commission for a Financing Order to estimate any projected cost savings, based on current market conditions, or demonstrate how the issuance of nuclear asset-recovery bonds and the imposition of nuclear asset-recovery changes would avoid or significantly mitigate rate

impacts to customers as compared with the traditional method of financing and recovering nuclear asset-recovery costs from customers.

32. For the CR3 Regulatory Asset, the RRSSA establishes the traditional method of financing and recovery for nuclear asset-recovery costs. Specifically, the RRSSA allows DEF to increase its base rates by the revenue requirement for the CR3 Regulatory Asset. As set forth in the RRSSA, DEF would be authorized to increase its base rates to begin recovering the CR3 Regulatory Asset with the first billing cycle for January 2016. The revenue requirement for the CR3 Regulatory Asset is calculated pursuant to Exhibit 10 to the RRSSA.

33. In her testimony of May 22, 2015 (Docket 150148-EI), Ms. Olivier described that the implementation of the increase in the base rate would be $5.01 per 1,000 kWh on a residential bill as opposed to an estimate of $3.17 per 1,000 kWh through the issuance of nuclear asset-recovery bonds assuming a principal amount not to exceed the Securitizable Balance (assuming a 20-year maturity), a savings of $1.84 before gross receipts tax. See Exhibit No. ___ (MO-4A) to Ms. Olivier's testimony in support of this petition. Furthermore, as also demonstrated in Exhibit No. ___ (MO-5A), commercial customers are projected to save $27.58 per month and industrial customers are projected to save $1,558.65 per month when compared with the traditional method of recovery.

X. Likelihood of Lower Overall Costs

34. Section 366.95(2)(a)6., requires that an electric utility demonstrate that securitization has a significant likelihood of resulting in lower overall costs or would avoid or significantly mitigate rate impacts compared to the traditional method of cost recovery.

35. The supporting testimony of Ms. Olivier demonstrates that, based on current market conditions, the issuance of nuclear asset-recovery bonds and the imposition of

nuclear asset-recovery charges have a significant likelihood of resulting in lower overall costs and would significantly mitigate rate impacts compared to the traditional method of cost recovery. As provided in Exhibit No. __ (MO-4A) to Ms. Olivier's testimony the initial monthly charge associated with the issuance of nuclear asset-recovery bonds in DEF's securitization recommendation, assuming a 20-year maturity, is estimated to be $3.17 for a 1,000 kWh residential bill. DEF's traditional method of recovery, which provides for recovery over a 20-year period would have an initial monthly customer impact of $5.01 for a 1,000 kWh residential bill.

36. Furthermore, the CR3 Regulatory Asset revenue requirement proposed in DEF's May 22, 2015 petition (Docket No. 150148-EI) would go into effect in the first billing cycle for January 2016 consistent with RRSSA. The Company is seeking recovery, in the most economical manner possible, of the CR3 Regulatory Asset. Based on current market conditions, securitization provides a mechanism for recovering the CR3 Regulatory Asset at a lower cost to DEF's customers than would occur through the traditional method as demonstrated in Exhibit Nos. ___ (MO-2A and MO-2B) to Ms. Olivier's testimony. In addition to lower initial customer rate impacts, these documents demonstrate that, based on current market conditions, the total estimated cumulative undiscounted revenue requirements under securitization of $1,770 million (Exhibit No. ___ (MO-2B) are approximately $790 million lower than the total cumulative undiscounted estimated revenue requirements under the traditional recovery method of $2,560 million (Exhibit No. __ (MO-2A).

XI. Alternative Request.

37. Should the Commission determine that recovery of the nuclear asset-recovery cost through the issuance of nuclear asset-recovery bonds is not appropriate, DEF alternatively requests that a base rate increase pursuant to the RRSSA be implemented beginning six

months after the date of the Commission's order and that carrying costs on the nuclear asset-recovery costs be collected from January 1, 2016, through the capacity cost recovery clause, until such time as the base rate increase goes into effect, consistent with DEF's Petition For Approval to Include in Base Rates the Revenue Requirement for the Crystal River Unit 3 ("CR3") Regulatory Asset filed on May 22, 2015, in Docket No. 150148-EI.

Request for Relief

WHEREFORE, for the reasons set forth above, and as more fully set forth and described in the supporting testimony and documents included in this Petition, Duke Energy Florida, Inc. respectfully request that the Commission:

(1) approve the Company's primary recommendation in this Petition and, pursuant to Section 366.95, Florida Statutes, issue the Financing Order in substantially the form attached as Exhibit B to this Petition, making the findings of fact and conclusions of law, and granting the relief reflected therein:

(2) approve the recovery through securitization of the Securitizable Balance, which consists of (a) nuclear asset-recovery costs, in the form of the CR3 Regulatory Asset as determined pursuant to Docket No. 150148-EI plus (b) estimated financing costs associated with the issuance of the nuclear asset-recovery bonds (sometimes referred to as "upfront bond issuance costs") plus (c) carrying charges accruing at 6.0% per annum on the CR3 Regulatory Asset balance from December 31, 2015 through the date of issuance of the nuclear asset-recovery bonds;

(3) authorize the issuance of nuclear asset-recovery bonds, secured by the pledge of nuclear asset-recovery property, in one or more series in an aggregate principal amount not to exceed the Securitizable Balance (as of the date the nuclear asset-recovery bonds are issued);

(4) approve the recovery of financing costs, including upfront bond issuance costs incurred in connection with the issuance of the nuclear asset-recovery bonds and ongoing financing costs;

(5) approve the transaction structure of the proposed securitization financing;

(6) approve the creation of the nuclear asset-recovery property, which includes the imposition, billing, charging and collection of nonbypassable nuclear asset-recovery charges in an amount calculated and adjusted from time to time as provided in this Financing Order, to ensure the timely payment of the nuclear asset-recovery bonds and financing costs and other required amounts and charges payable in connection with the nuclear asset-recovery bonds; and

(7) approve the form of tariff schedule to be filed under DEF's tariff, as provided in this Financing Order, to implement the nuclear asset-recovery charges;

or

(8) in the alternative and without prejudice to DEF's primary requests in paragraphs 1-7 above, should the Commission determine that recovery of the nuclear asset-recovery cost through the issuance of nuclear asset-recovery bonds is not appropriate, DEF alternatively requests that a base rate increase pursuant to the RRSSA be implemented beginning six months after the date of the Commission's order and that carrying costs on the nuclear asset-recovery costs be collected from January 1, 2016, through the capacity cost recovery clause, until such time as the base rate increase goes into effect, consistent with DEF's Petition For Approval to Include in Base Rates the Revenue Requirement for the Crystal River Unit 3 ("CR3") Regulatory Asset filed on May 22, 2015, in Docket No. 150148-EI.

Motion to Consolidate

DEF, pursuant to Rule 28-106.108, F.A.C., files this Motion to Consolidate Docket 150148-EI with this Docket for Purposes of Single Evidentiary Hearing, and in support thereof, states as follows:

1. On May 22, 2015, DEF filed its Petition for Approval to Include in Base Rates the Revenue Requirement for the CR3 Regulatory Asset. The Commission opened Docket 150148-EI to consider DEF's request. In that Petition, DEF indicated that it intended to file a petition for a financing order pursuant to the expected new legislation, and that if it filed that petition, it would move to consolidate the dockets. As set forth above, and filed simultaneously with this Motion to Consolidate, DEF has filed its Petition for a Financing Order pursuant to Section 366.95.

2. Also as set forth above, in this docket, DEF is requesting that the Commission issue a financing order to permit it to securitize certain costs, including the CR3 Regulatory Asset value as presented in DEF's petition in Docket 150148-EI. The amount to be securitized in this docket is therefore contingent upon the outcome of Docket 150148-EI.

3. Motions to consolidate are governed by Rule 28-106.108, F.A.C., which states: "If there are separate matters which involve similar issues of law or fact, or identical parties, the matters may be consolidated if it appears that consolidation would promote the just, speedy, and inexpensive resolution of the proceedings, and would not unduly prejudice the rights of a party."

4. Docket 150148-EI should be consolidated with this docket, because the matters are inextricably linked. The value of the CR3 Regulatory Asset, which will be determined by the Commission in Docket 150148-EI, directly impacts the amount to be securitized in the

financing order which is the subject of this docket. The dockets also involve the same parties, which are signatories to the RRSSA.

5. Consolidation will promote the just, speedy, and inexpensive resolution of the proceedings because the financing order cannot be issued until the value of the CR3 Regulatory Asset is approved in Docket 150148-EI. Section 366.95 sets forth dates by which the Commission must act on the financing order petition, so to meet those dates, the Commission must also consider the CR3 Regulatory Asset docket (150148-EI) on the same timeline. Indeed, the separate advance filing is expressly contemplated in Section 366.95(2)(b), which provides for the filing of the CR3 Regulatory Asset docket 60 days before the filing of the petition in this docket.

6. Finally, the consolidation of these dockets will not unduly prejudice the rights of a party. The parties have been aware since the filing of DEF's petition in Docket 150148-EI that DEF intended to file this petition for a financing order and consolidate the dockets. Indeed, the parties have discussed the filing of this petition in noticed informal meetings in Docket 150148-EI. The case schedule for Docket 150148-EI has been set on an accelerated basis for discovery and other deadlines, and the parties have already issued discovery requests.

7. In accordance with Rule 28-106.204(3), F.A.C., DEF consulted with counsel for Commission staff and the other parties of record before filing this motion and is authorized to represent that the Office of Public Counsel and PCS White Springs support this motion and FIPUG takes no position on this motion.

WHEREFORE, DEF respectfully requests that the Commission grant this Motion to Consolidate Docket 150148-EI with this Docket.

Respectfully submitted this 27th day of July, 2015.

/s/ Dianne M. Triplett
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EXHIBIT A

SUMMARY OF CALCULATION OF DEF'S SECURITIZABLE BALANCE

Estimated CR3 Regulatory Asset, including carrying charges through 12/31/15	$1,298,000,000
Estimated carrying costs subsequent to 12/31/15 through bond issuance date	TBD
Estimated upfront bond issuance costs	13,800,000
Estimated Principal Amount of Nuclear-Asset Recovery Bonds	$1,311,800,000

EXHIBIT B

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Petition of Duke Energy Florida, Inc. for issuance of a nuclear asset-recovery financing order	DOCKET NO. _____ ORDER NO. PSC-_____ ISSUED: _____

The following Commissioners participated in the disposition of this matter:

_____, Chairman

_____

_____

_____

APPEARANCES:

FINANCING ORDER

BY THE COMMISSION:

I. INTRODUCTION

On July __, 2015, Duke Energy Florida, Inc. ("DEF" or "the Company") filed a petition for issuance of a nuclear asset-recovery financing order ("Petition"). This Commission has jurisdiction pursuant to Chapter 366, Florida Statutes, including Sections 366.04, 366.05, 366.06, and 366.95, Florida Statutes.

History

In its 2015 session, the Florida Legislature established a mechanism by which electric utilities can recover their nuclear asset-recovery costs. This mechanism, referred to herein as "securitization," allows electric utilities to access lower-cost funds through "nuclear asset-recovery bonds" issued pursuant to financing orders issued by the Commission. This provision of Florida law is codified in Section 366.95, Florida Statutes.

By Order No. PSC-13-1598-FOF-EI, the Commission approved a comprehensive settlement (the Revised and Restated Settlement and Stipulation Agreement or "RRSSA") that resolved many issues, including the treatment and retirement of DEF's nuclear unit, Crystal River 3 ("CR3"). The RRSSA contains provisions by which DEF is authorized to increase its base rates by the revenue requirement for the CR3 Regulatory Asset, which is a defined term in the RRSSA.

Summary of DEF's Petition

By its Petition, DEF requests that we issue a financing order under Section 366.95, Florida Statutes: (1) to securitize the Securitizable Balance, defined below, (2) for approval of the proposed securitization financing structure, (3) for approval to issue the nuclear asset-recovery bonds, secured by the pledge of the nuclear asset-recovery property, in one or more series in an aggregate principal amount not to exceed the Securitizible Balance (as of the date of the nuclear asset-recovery bonds are issued), (4) for approval of the financing costs, including upfront bond issuance costs incurred in connection with the issuance of the nuclear asset-recovery bonds and ongoing financing costs, (5) for approval of the creation of the nuclear asset-recovery property, including the right to impose, bill, collect and receive nonbypassable nuclear asset-recovery charges sufficient to recover the principal of, and interest on, the nuclear asset-recovery bonds plus ongoing financing costs, and (6) for approval of the tariff to implement the nuclear asset-recovery charges.

To repay the nuclear asset-recovery bonds and associated financing costs, DEF proposes that a nuclear asset-recovery charge be collected on a per kWh basis from all applicable customer rate classes over a repayment period not to exceed 20 years. The nuclear asset-recovery charge will provide for repayment of the nuclear asset-recovery bonds (including principal, which includes upfront bond issuance costs, and interest) and ongoing financing costs (including without limitation rating agency surveillance fees, servicing fees, administration fees, legal and auditing fees, regulatory assessment fees, trustee fees, independent manager(s) fees and the return on invested capital (sometimes referred to as "ongoing financing costs" as further described herein)).

Standard of Review

As noted above, the Florida Legislature enacted 2015 House Bill 7109, which has been codified in relevant part as Section 366.95 of the Florida Statutes. This section allows electric utilities, with the approval of this Commission, to finance the costs associated with the premature retirement of a nuclear power plant with the proceeds of nuclear asset-recovery bonds that are secured by the nuclear asset-recovery property.

Nuclear asset-recovery bonds are defined, pursuant to Section 366.95(1)(i), Florida Statutes, as bonds or other evidences of indebtedness or ownership that are issued by an electric utility or an assignee pursuant to a financing order, the proceeds of which are used directly or indirectly to recover, finance, or refinance Commission-approved nuclear asset-recovery costs and financing costs, and that are secured by nuclear asset-recovery property. Electric customers must pay the principal, interest, and related ongoing financing costs of the nuclear asset-recovery bonds through nuclear asset-recovery charges, which, pursuant to Section 366.95(1)(j), Florida Statutes, are nonbypassable charges that shall be paid by all existing or future customers receiving transmission or distribution service from the electric utility or its successors or assignees under Commission-approved rate schedules or special contracts, even if the customer elects to purchase electricity from an alternative electric supplier following a fundamental change in regulation of public utilities in Florida.

Section 366.95(2)(c)1.b., Florida Statutes, provides the standard of review applicable to a petition for issuance of a financing order:

> The commission shall issue a financing order authorizing the financing of reasonable and prudent nuclear asset-recovery costs and financing costs if the commission finds that the issuance of the nuclear asset-recovery bonds and the imposition of nuclear asset-recovery charges authorized by the financing order have a significant likelihood of resulting in lower overall costs or would avoid or significantly mitigate rate impacts to customers as compared with the traditional method of financing and recovering nuclear asset-recovery costs. Any determination of whether nuclear asset-recovery costs are reasonable and prudent shall be made with reference to the general public interest and in accordance with paragraph (b) **[**of Section 366.95(2), Florida Statutes**]**, if applicable.

Summary of Decision

Consistent with the time requirements of Section 366.95(2)(c)1., Florida Statutes, we reached a decision on DEF's Petition. This Financing Order reflects our decision.

In this Financing Order, we find that the issuance of nuclear asset-recovery bonds and the imposition of related nuclear asset-recovery charges to finance the recovery of DEF's reasonable and prudently incurred nuclear asset-recovery costs and related financing costs have a significant likelihood of resulting in lower overall costs or would significantly mitigate rate impacts to customers as compared with the traditional method of financing and recovering nuclear asset-recovery costs. Thus, by this Financing Order, we:

(1) approve the recovery through securitization of the Securitizable Balance, which consists of (a) nuclear asset-recovery costs, in the form of the Crystal River Unit 3 ("CR3") Regulatory Asset as determined pursuant to Docket No. 150148-EI plus (b) estimated financing costs associated with the issuance of the nuclear asset-recovery bonds (sometimes referred to as "upfront bond issuance costs") plus (c) carrying charges accruing at 6.0% per annum on the CR3 Regulatory Asset balance from December 31, 2015 through the date of issuance of the nuclear asset-recover bonds.

(2) authorize the issuance of nuclear asset-recovery bonds, secured by the pledge of nuclear asset-recovery property, in one or more series in an aggregate principal amount not to exceed the Securitizable Balance (as of the date the nuclear asset-recovery bonds are issued);

(3) approve the recovery of financing costs, including, upfront bond issuance costs incurred in connection with the issuance of the nuclear asset-recovery bonds and ongoing financing costs;

(4) approve the transaction structure of the proposed securitization financing;

(5) approve the creation of the nuclear asset-recovery property, which includes the imposition, billing, charging and collection of nonbypassable nuclear asset-recovery charges in

an amount calculated and adjusted from time to time as provided in this Financing Order, to ensure the timely payment of the nuclear asset-recovery bonds and financing costs and other required amounts and charges payable in connection with the nuclear asset-recovery bonds; and

(6) approve the form of tariff schedule to be filed under DEF's tariff, as provided in this Financing Order, to implement the nuclear asset-recovery charges.

Pursuant to the Issuance Advice Letter procedures described in Finding of Fact paragraphs 76 through 78 of this Financing Order, DEF shall update its estimates of the upfront financing costs, ongoing financing costs and other relevant current information in accordance with the terms of this Financing Order.

While we recognize the need for some degree of flexibility with regard to the final details of the nuclear asset-recovery bond securitization transaction approved in this Financing Order, our primary focus is upon meeting all statutory requirements including, pursuant to Section 366.95(2)(c)2.b., our determination that the proposed structuring, expected pricing, and financing costs of the nuclear asset-recovery bonds have a significant likelihood of resulting in lower overall costs or would avoid or significantly mitigate rate impacts to customers as compared with the traditional method of financing and recovering nuclear asset-recovery costs (the "statutory financing cost objective") and, pursuant to Section 366.95(2)(c)5., our determination, on a reasonably comparable basis, that the actual upfront bond issuance costs incurred in the issuance of the nuclear asset-recovery bonds result in the lowest overall costs, reasonably consistent with market conditions at the time of the issuance and the terms of this Financing Order (the "lowest issuance cost objective", and collectively with the statutory financing cost objective, the "statutory cost objectives").

Because this Financing Order will be irrevocable, and because the true-up adjustment mechanism generally will result in the economic burden of all costs associated with nuclear asset-recovery bonds being borne by DEF's customers, we feel compelled to ensure from the outset that effective procedures and conditions are in place to safeguard the interests of customers. Otherwise all the benefits potentially available to customers from this securitized nuclear asset-recovery bond financing might not be realized.

Section 366.95(2)(c)2.i., Florida Statutes, directs this Commission to include in a financing order any other conditions that the Commission considers appropriate and that are authorized by this section. In this Financing Order, we establish procedures and conditions which we find will effectively safeguard the interests of customers. We find that these procedures and conditions are most likely to ensure satisfaction of the statutory cost objectives. These procedures and conditions are designed to allow for meaningful and substantive cooperation between DEF and its designated advisors, this Commission and their designated advisors, legal counsel, and representatives through a "Bond Team" to ensure that the structuring, pricing and financing costs of the nuclear asset-recovery bonds will achieve the statutory cost objectives. Each of the procedures and conditions set forth in this Financing Order must be met. This Financing Order grants authority to issue nuclear asset-recovery bonds and to impose and collect nuclear asset-recovery charges only if the final structure of the transaction

and the procedures and conditions followed comply or satisfy (as the case may be) in all respects with the procedures set forth herein.

To ensure that the statutory cost objectives are met and these procedures are followed, this Commission - as represented at various stages either jointly or separately by a designated Commissioner and/or designated Commission personnel, with support from the Commission's financial advisor and the Commission's outside legal counsel, as the designated Commissioner and designated Commission personnel deem appropriate - will participate in advance in the structuring, marketing, and pricing of the nuclear asset-recovery bonds in accordance with the procedures established in this Financing Order.

The authority and approval to issue nuclear asset-recovery bonds pursuant to this Financing Order is effective only upon DEF filing with this Commission an Issuance Advice Letter in accordance with this Financing Order, and the Commission not issuing an order to stop the transaction and containing a basis for such stop order by 5:00 p.m. Eastern Time on the third business day following pricing of the nuclear asset-recovery bonds.

II. TRANSACTION STRUCTURE AND DOCUMENTS

DEF has proposed a transaction structure that includes all of the following:

a. The use of (depending on whether more than one series of nuclear asset-recovery bonds are issued) one or more special purpose entities (each referred to as "SPE") as issuer of nuclear asset-recovery bonds, limiting the risks to bondholders of any adverse impact resulting from a bankruptcy proceeding of DEF or any affiliate.

b. The right to impose, bill, collect and receive nuclear asset-recovery charges that are nonbypassable and which must be trued-up at least semi-annually, but may be trued-up more frequently under specified circumstances, in order to ensure the timely payment of the debt service and on-going financing costs. Consistent with the RRSSA, the recovery period proposed for the nuclear asset-recovery charges shall not exceed 20 years.

c. Included as collateral a collection account which includes, without limitation, a Capital Subaccount funded initially by a deposit from DEF equal to at least 0.5% of the initial principal amount of the nuclear asset-recovery bonds, resulting in greater certainty of payment of interest and principal to investors.

d. A servicer (initially DEF) responsible for billing and collecting the nuclear asset-recovery charge from existing and future customers.

e. The Federal income tax consequences of the transaction meet the provisions established in IRS Revenue Procedure 2005-62.

Portions of the transaction structure, described in this Financing Order, are necessary to enable the nuclear asset-recovery bonds to obtain the highest bond credit rating possible, with an

objective of AAA bond credit ratings, so as to further ensure that the proposed structuring, expected pricing and financing costs of the nuclear asset-recovery bonds and the imposition of the nuclear asset-recovery charges would avoid or significantly mitigate rate impacts to customers as compared with the traditional method of financing and recovering nuclear asset-recovery costs from customers.

In accordance with Section 366.95(2)(a)6., the transaction structure, described in this Financing Order, has a significant likelihood of resulting in lower overall costs or would significantly mitigate rate impacts compared to the traditional method of cost recovery.

DEF has submitted in connection with its Petition a draft of each of the Nuclear Asset-Recovery Property Purchase and Sale Agreement, the Administration Agreement, and the Nuclear Asset-Recovery Property Servicing Agreement, which set out in substantial detail certain terms and conditions relating to the transaction structure, including the proposed sale of the Nuclear Asset-Recovery Property to the SPE, the administration of the SPE, and the servicing of the nuclear asset-recovery charges and the nuclear asset-recovery bonds. DEF requested that we approve the substance of the form of each of the agreements between DEF and the SPE in connection with issuance of this Financing Order. Drafts of these agreements were filed in order that this Commission may evaluate the principal rights and responsibilities of the parties thereto. The final versions of these agreements, however, will be subject to change based on the input from rating agencies, investors and other parties involved in the structuring and marketing of the nuclear asset-recovery bonds. DEF has also submitted a draft of the Indenture between the SPE and the indenture trustee, which sets forth proposed security and terms for the nuclear asset-recovery bonds. DEF requested that we approve the substance of the Indenture, subject to such changes based on the input from rating agencies, investors and other parties involved in the structuring and marketing of the nuclear asset-recovery bonds. DEF has also submitted a form of the Limited Liability Company Agreement ("LLC Agreement") with DEF as the sole member, that DEF proposed would constitute the organizing document of the SPE. DEF requested that we approve the substance of the LLC Agreement, which would be executed substantially in the form submitted to this Commission, subject to such changes as DEF deems necessary or advisable to satisfy bankruptcy and rating agency considerations.

The SPE

DEF proposed to create one or more SPEs, each as a bankruptcy remote, Delaware limited liability company with DEF as its sole member, as set forth in the LLC Agreement. DEF will create a separate SPE for the issuance of a particular series of nuclear asset-recovery bonds; and the rights, obligations, structure and restrictions described in this Financing Order with respect to "SPE" are applicable to each such purchaser of nuclear asset-recovery property to the extent of the nuclear asset-recovery property acquired by it and the nuclear asset-recovery bonds issued by it. The SPE will be formed for the limited purpose of acquiring nuclear asset-recovery property from DEF, issuing nuclear asset-recovery bonds in one or more series (each of which may be issued in one or more classes or tranches), and performing other activities relating thereto or otherwise authorized by the LLC Agreement.

DEF proposed that the SPE may issue nuclear asset-recovery bonds in an aggregate amount not to exceed the Securitizable Balance approved by this Financing Order and will pledge to an indenture trustee, as collateral for payment of the nuclear asset-recovery bonds, the nuclear asset-recovery property, including the SPE's right to receive the nuclear asset-recovery charges as and when collected, and other collateral described in the Indenture. The SPE will not be permitted to engage in any other activities and will have no assets other than the nuclear asset-recovery property and related assets to support its obligations under the nuclear asset-recovery bonds. These restrictions on the activities of the SPE and restrictions on the ability of DEF to take action on the SPE's behalf are imposed to achieve the objective that the SPE will be bankruptcy-remote and not be affected by a bankruptcy of DEF or any affiliate or successor of DEF.

DEF proposed that the SPE will be managed by a board of managers with rights and duties set forth in its organizational documents. As long as the nuclear asset-recovery bonds remain outstanding, DEF proposed that the SPE will have at least one independent manager with no organizational affiliation with DEF other than possibly acting as independent manager(s) for another bankruptcy-remote subsidiary of DEF or its affiliates. The SPE will not be permitted to amend the provisions of the LLC Agreement or other organizational documents that relate to bankruptcy-remoteness of the SPE without the consent of the independent manager(s). Similarly, the SPE will not be permitted to institute bankruptcy or insolvency proceedings or to consent to the institution of bankruptcy or insolvency proceedings against it, or to dissolve, liquidate, consolidate, convert, or merge without the consent of the independent manager(s). Other restrictions to facilitate bankruptcy-remoteness may also be included in the organizational documents of the SPE as required by the rating agencies.

DEF proposed that the SPE will have no staff to perform administrative services (such as routine corporate maintenance, reporting and accounting functions). DEF proposed that these services will be provided by DEF pursuant to the terms of an administration agreement between the SPE and DEF (the "Administration Agreement").

The Servicer and the Servicing Agreement

DEF proposed to execute a servicing agreement with the SPE (the "Servicing Agreement") which may be amended, renewed, or replaced by another servicing agreement in accordance with its terms. DEF will be the initial servicer but may be succeeded as servicer as detailed in the Servicing Agreement. Pursuant to the Servicing Agreement, the servicer is required, among other things, to impose, bill, collect and receive the nuclear asset-recovery charges for the benefit and account of the SPE, to make the periodic true-up adjustments of nuclear asset-recovery charges required or allowed by this Financing Order and to account for and remit its collection of nuclear asset-recovery charges to or for the account of the SPE in accordance with the remittance procedures contained in the Servicing Agreement without any charge, deduction, or surcharge of any kind, other than the servicing fee specified in the Servicing Agreement. Under the Servicing Agreement, if any servicer fails to fully perform its servicing obligations, the indenture trustee or its designee may, and upon the instruction of the requisite percentage of holders of the outstanding bonds shall, appoint an alternate party to

replace the defaulting servicer. The obligations of the servicer under the Servicing Agreement, the circumstances under which an alternate servicer may be appointed, and the conditions precedent for any amendment of such agreement will be more fully specified in the Servicing Agreement. The rights of the SPE under the Servicing Agreement will be included in the collateral pledged to the indenture trustee under the Indenture for the benefit of holders of the nuclear asset-recovery bonds.

Trust Accounts

The payment of the nuclear asset-recovery bonds and related nuclear asset-recovery charges authorized by this Financing Order is to be secured by the nuclear asset-recovery property created by this Financing Order and by certain other collateral as described in this Financing Order. The nuclear asset-recovery bonds will be issued pursuant to the Indenture under which the indenture trustee will administer the trust. DEF proposed that the SPE will establish a Collection Account as a trust account to be held by the indenture trustee as collateral to facilitate the payment of the principal of, interest on, and ongoing financing costs related to the nuclear asset-recovery bonds in full and on a timely basis. The Collection Account will include the General Subaccount, the Capital Subaccount and the Excess Funds Subaccount, and may include other subaccounts if required to obtain AAA ratings on the nuclear asset-recovery bonds.

DEF proposed that nuclear asset-recovery charge remittances from the servicer with respect to the nuclear asset-recovery bonds will be deposited into the General Subaccount. On a periodic basis, the money in the General Subaccount will be allocated to pay expenses of the SPE, to pay principal of and interest on the nuclear asset-recovery bonds, and to meet the funding requirements of the other subaccounts, according to specified payment priority established in the Indenture. Funds in the General Subaccount will be invested by the indenture trustee in short-term, high-quality investments and such funds (including, to the extent necessary, investment earnings) will be applied by the indenture trustee to pay principal of and interest on the nuclear asset-recovery bonds and all other components of the ongoing financing costs payable by the SPE.

When the nuclear asset-recovery bonds are issued, DEF proposes that DEF will make a capital contribution to the SPE, which the SPE will deposit into the Capital Subaccount. The nuclear asset-recovery proceeds will not be used to fund this capital contribution. The amount of the capital contribution will be at least 0.5 percent of the original principal amount of the nuclear asset-recovery bonds. The Capital Subaccount will serve as collateral to facilitate timely payment of principal of and interest on the nuclear asset-recovery bonds. To the extent that the Capital Subaccount must be drawn upon to pay these amounts due to a shortfall in the nuclear asset-recovery charge collections, it will be replenished to its original level through the true-up process described below. The funds in the Capital Subaccount will be invested in short-term high-quality investments and, if necessary, such funds (including investment earnings) will be used by the indenture trustee to pay principal of and interest on the nuclear asset-recovery bonds and the ongoing financing costs payable by the SPE. DEF will be permitted to earn a rate of return on its invested capital in the SPE equal to the rate of interest payable on the longest

maturing tranche of nuclear asset-recovery bonds and this return on invested capital should be a component of the Periodic Payment Requirement (as defined below), and accordingly, recovered from nuclear asset-recovery charges.

DEF proposed that the Excess Funds Subaccount will hold any nuclear asset-recovery charge collections and investment earnings on the Collection Account in excess of the amounts needed to pay current principal of and interest on the nuclear asset-recovery bonds and to pay all of the ongoing financing costs payable by the SPE including, but not limited to, funding or replenishing the Capital Subaccount. Any balance in or amounts allocated to the Excess Funds Subaccount on a true-up adjustment date will be subtracted from amounts required for such period for purposes of the true-up adjustment. The funds in the Excess Funds Subaccount will be invested in short-term high-quality investments, and such funds (including investment earnings thereon) will be available to pay principal of and interest on the nuclear asset-recovery bonds and the ongoing financing costs payable by the SPE.

DEF proposed that the Collection Account and the subaccounts described above are intended to facilitate the full and timely payment of scheduled principal of and interest on the nuclear asset-recovery bonds and all other authorized components of the ongoing financing costs payable by the SPE. If the amount of nuclear asset-recovery charge collections in the General Subaccount is insufficient to make, on a timely basis, all scheduled payments of principal of and interest on the nuclear asset-recovery bonds and to make payment on all of the other components of the ongoing financing costs payable by the SPE, the Excess Funds Subaccount and the Capital Subaccount will be drawn down, in that order, to make such payments. Any deficiency in the Capital Subaccount due to such withdrawals must be replenished on a periodic basis through the true-up process. In addition to the foregoing, there may be such additional accounts and subaccounts as are necessary to segregate amounts received from various sources, or to be used for specified purposes. Upon the maturity of the nuclear asset-recovery bonds and upon the discharge of all obligations with respect to such bonds, amounts remaining in the Collection Account will be released to the SPE and will be available for distribution by the SPE to DEF. As noted in this Financing Order, equivalent amounts, less the amount of the Capital Subaccount, will be credited by DEF to current customers' bills in the same manner that the charges were collected, or through a credit to the capacity cost recovery clause if this Commission determines at the time of retirement that a direct credit to customers' bills is not cost-effective.

True-Ups of the Nuclear Asset-Recovery Charges

Pursuant to Section 366.95(2)(c)2.d. and (2)(c)4., Florida Statutes, the servicer of the nuclear asset-recovery property will file for standard true-up adjustments to the nuclear asset-recovery charges at least semi-annually to ensure the recovery of nuclear asset-recovery charge collections are sufficient to provide for the timely payment of the principal of and interest on the nuclear asset-recovery bonds and of all of the ongoing financing costs payable by the SPE in respect of nuclear asset-recovery bonds as approved under this Financing Order. This required periodic payment of all such amounts, including deficiencies on past due amounts for any reason, is referred to as the "Periodic Payment Requirement." Pursuant to Section 366.95(2)(c)2.d., Florida Statutes, this Financing Order must include a formula-based true-up mechanism for

making expeditious periodic adjustments in the nuclear asset-recovery charges that customers are required to pay pursuant to this Financing Order and for making any adjustments that are necessary to correct for any overcollection or undercollection of the charges or to otherwise ensure the timely payment of the Periodic Payment Requirement.

Pursuant to Section 366.95(2)(c)4., Florida Statutes, DEF shall file with the Commission at least semi-annually (and at least quarterly after the last scheduled payment date of nuclear asset-recovery bonds) a petition or a letter applying the formula-based true-up mechanism and, based on estimates of consumption for each rate class and other mathematical factors, requesting administrative approval to make the necessary adjustments. The review of such a request shall be limited to determining whether there is any mathematical error in the application of the formula-based mechanism relating to the nuclear asset-recovery amount of any overcollection or undercollection of nuclear asset-recovery charges and the amount of an adjustment. Such adjustments shall ensure the recovery of revenues sufficient to provide for the timely payment of principal, interest, acquisition (if any), defeasance (if any), financing costs, or redemption premium (if any) and other fees, costs, and charges in respect of nuclear asset-recovery bonds approved under this Financing Order (i.e., the Periodic Payment Requirement). Within 60 days of receiving DEF's request, the Commission will administratively approve the request or inform DEF of any mathematical errors in its calculation. If the Commission informs DEF of any mathematical errors, then DEF may correct that error and refile its request.

In addition to the standard semi-annual true-up adjustments, DEF proposed that the servicer of the nuclear asset-recovery property also be authorized to make optional interim true-up adjustments at any time and for any reason in order to ensure the recovery of revenues sufficient to provide for the timely payment of Periodic Payment Requirement.

In the event an optional interim true-up is necessary, the optional interim true-up adjustment will use the allocation factors utilized in the most recent semi-annual true-up adjustment and will be filed not less than 60 days prior to the first day of the monthly billing cycle in which the revised nuclear asset-recovery charges will become effective.

Similar to the standard semi-annual (and quarterly) true-up adjustments, the review of an optional interim true-up adjustment shall be limited to determining whether there is any mathematical error in the application of the formula-based mechanism relating to the amount of any overcollection or undercollection of nuclear asset-recovery charges and the amount of such adjustment.

DEF proposed that the servicer also be authorized to seek a non-standard true-up at any time to be effective simultaneously with a base rate change that includes any change in the cost allocation among customers used in determining the nuclear asset-recovery charges, such true-up to go into effect simultaneously with any changes to DEF's other base rates. DEF also proposed that the Commission would have 60 days in which to approve a non-standard true-up.

Nuclear Asset-Recovery Property

Pursuant to Section 366.95(2)(c)3., Florida Statutes, DEF has requested that this Financing Order provide that the creation of the nuclear asset-recovery property will be conditioned upon, and simultaneous with, the sale of the nuclear asset-recovery property to the SPE and the pledge of the nuclear asset-recovery property to secure the nuclear asset-recovery bonds. The nuclear asset-recovery property to be sold by DEF to the SPE consists of: (1) all rights and interests of DEF or successor or assignee of DEF under this Financing Order, including the right to impose, bill, collect, and receive the nuclear asset-recovery charges authorized in this Financing Order and to obtain periodic adjustments to such nuclear asset-recovery charges as provided in this Financing Order, and (2) all revenues, collections, claims, rights to payments, payments, money, or proceeds arising from the rights and interests specified in clause (1), regardless of whether such revenues, collections, claims, rights to payment, payments, money, or proceeds are imposed, billed, received, collected, or maintained together with or commingled with other revenues, collections, rights to payment, payments, money, or proceeds.

State Pledge

The State of Florida has pledged to and agrees with bondholders, the owners of the nuclear asset-recovery property, and other financing parties that the State will not impair the value of the nuclear asset-recovery property, as further described in Section 366.95(11), Florida Statutes.

FINDINGS OF FACT

I. IDENTIFICATION OF APPLICANT AND PROCEDURAL HISTORY

1. DEF is an "electric utility" within the meaning of 366.8255, Florida Statutes and as used in 366.95(1)(d), Florida Statutes.

2. The Commission approved the RRSSA by order number PSC-13-1598-FOF-EI, issued November 12, 2013. The RRSSA provides for the treatment and retirement of CR3, and it contains provisions by which DEF is authorized to increase its base rates by the revenue requirement for the CR3 Regulatory Asset, which is a defined term in the RRSSA. On May 22, 2015, DEF filed a petition pursuant to those provisions. The May 22nd filing satisfied the requirements of Section 366.95(2)(b). On July [ ], 2015, within the timeframes set out in Section 366.95(2)(b), DEF filed its petition for a Financing Order that is the subject of this docket.

II. NUCLEAR ASSET-RECOVERY BONDS

3. The issuance of nuclear asset-recovery bonds in one or more series in an aggregate amount not to exceed the Securitizable Balance will reimburse DEF for reasonable and prudently incurred nuclear asset-recovery costs associated with the premature retirement of the Crystal River Nuclear Power Plant and upfront bond issuance costs. Specifically, the Securitizable Balance consists of (i) the CR3 Regulatory Asset, as determined pursuant to Docket 150148-EI plus (ii) upfront bond issuance costs plus (iii) carrying charges accruing at 6.0% per annum on the CR3 Regulatory Asset balance from December 31, 2015 through the date of issuance of the nuclear asset-recovery bonds.

III. NUCLEAR ASSET-RECOVERY COSTS

4. For the CR3 Regulatory Asset, the RRSSA sets forth the traditional method for financing and recovering nuclear asset-recovery costs. Specifically, the RRSSA allows DEF to increase its base rates by the revenue requirement for the CR3 Regulatory Asset. As set forth in the RRSSA, DEF can recover the CR3 Regulatory Asset value in base rates upon the termination of the Levy Nuclear Plant cost recovery charge. That recovery charge terminated in May 2015; therefore DEF would be authorized to increase its base rates to begin recovering the CR3 Regulatory Asset with the first billing cycle for January 2016. The revenue requirement for the CR3 Regulatory Asset is calculated pursuant to Exhibit 10 to the RRSSA. As explained in Ms. Olivier's May 22, 2015 testimony in Docket 150148-EI, the year one calculated annual revenue requirement is $170.3 million and the base rate increase would be $5.01 per 1000 kWh on the residential bill and the total revenue requirement over the 20 year recovery period would be approximately $2,560 million. Rate increases by customer rate class are contained in Ms. Olivier's Exhibit No. __ (MO-4) [Hearing Exhibit __], filed as part of her May 22 testimony in Docket 150148-EI.

5. The nuclear asset-recovery costs are those costs included in the CR3 Regulatory Asset. Exhibit 10 to the RRSSA sets forth the categories of costs to be included in the CR3 Regulatory Asset and such costs are therefore nuclear asset-recovery costs. Exhibit No. __ (MO-2) [Hearing Exhibit __] to Ms. Olivier's May 22 testimony in Docket 150148-EI contains the detailed costs that make up the CR3 Regulatory Asset.

Reasonableness and Prudence of Nuclear Asset-Recovery Costs

6. Pursuant to Section 366.95(2)(c)1.b., this Commission may issue a financing order authorizing financing of reasonable and prudent nuclear asset-recovery costs, and any determination of whether nuclear asset-recovery costs are reasonable and prudent must be made with reference to the general public interests and in accordance with Section 366.95(2)(b).

7. As explained in the testimony filed in Docket 150148-EI, DEF took reasonable and prudent actions to minimize the CR3 Regulatory Asset value for its customers. Upon the announcement of the retirement of CR3, DEF promptly carried out the necessary steps to transition the site from a fully staffed and operational plant to a decommissioning site. DEF also submitted several License Amendment Requests ("LARs") to the Nuclear Regulatory Commission to reduce regulatory requirements that resulted in DEF's ability to reduce costs and workforce levels. At the time of the retirement, there were also several pending projects at the site, as noted on Exhibit 10 to the RRSSA. DEF took reasonable and prudent actions to safely and timely close out those projects.

8. DEF also used reasonable and prudent efforts to sell or otherwise salvage assets that would otherwise be included in the CR3 Regulatory Asset. After the retirement decision, the Company promptly formed an investment recovery team and utilized a stepwise process for assessing and dispositioning the CR3 Assets. DEF used a variety of methods to maximize value received, including offering assets on industry utility parts websites like RAPID and Pooled Inventory Management, conducting bid events and an auction, and pursuing sales options with the original manufacturers of some parts. The disposition of the Company's nuclear fuel inventory was handled in a similar manner, but due to the particular market conditions for nuclear fuel components, DEF will not receive proceeds until a future date. As a result of DEF's efforts, the CR3 Regulatory Asset has been reduced by a total of $127.3 million, including $119.4 million for future nuclear fuel proceeds and $7.9 million for sales proceeds and salvage on the assets at CR3. DEF also calculated the CR3 Regulatory Asset value consistent with the provisions of the RRSSA.

9. Based on Findings of Fact paragraphs 7 and 8, we determine based upon the record in this proceeding that nuclear asset-recovery costs in the amount equal to the CR3 Regulatory Asset plus any carrying charges accruing at 6.0% per annum on the CR3 Regulatory Asset balance from December 31, 2015 through the date of issuance of the nuclear asset-recovery bonds has been proven to be reasonable and prudent. Assuming an issuance date of January 1, 2016, this amount of nuclear asset-recovery costs to be financed using nuclear asset-recovery bonds would be approximately $1,312 million, inclusive of estimated upfront bond issuance costs. The calculation of this amount is shown in Appendix A to this Financing Order.

IV. UPFRONT BOND ISSUANCE COSTS

10. Upfront bond issuance costs as described in the Petition are estimated "financing costs" eligible to be financed from the proceeds of the nuclear asset-recovery bonds. Upfront bond issuance costs include the fees and expenses, including legal expenses, associated with the efforts to obtain this Financing Order, as well as the fees and expenses associated with the structuring, marketing, and issuance of the nuclear asset-recovery bonds, including counsel fees, structuring advisory fees (including counsel), underwriting fees and original issue discount, rating agency and trustee fees (including trustee's counsel), auditing fees, servicer set-up costs (including information technology programming costs), printing and marketing expenses, stock exchange listing fees and compliance fees, filing fees, any applicable taxes (including any documentary transfer tax, if applicable), and the costs of any financial advisor and outside counsel retained by the Commission to assist the Commission in performing its responsibilities under Section 366.95(2)(c)2. and 5., Florida Statutes. Upfront bond issuance costs include reimbursement to DEF for amounts advanced for payment of such costs. Upfront bond issuance costs may also include other types of credit enhancement, not specifically described herein, including letters of credit, reserve accounts, surety bonds, interest rate swaps, interest rate locks, and other mechanisms designed to promote the credit quality and marketability of the nuclear asset-recovery bonds or designed to achieve the statutory financing cost objective. The upfront bond issuance costs of any credit enhancements shall be included in the amount of costs to be securitized. Upfront bond issuance costs do not include debt service on the nuclear asset-recovery bonds or other ongoing financing costs, which are addressed later in this Financing Order.

11. DEF has provided estimates of upfront bond issuance costs ranging from approximately $11 million to $17 million in Exhibit No. __(BB-1) **[**Hearing Exhibit __], which is attached to Mr. Buckler's testimony. DEF shall update the upfront bond issuance costs prior to the pricing of the nuclear asset-recovery bonds in accordance with the Issuance Advice Letter procedures described in Finding of Fact paragraphs 76 through 78 of this Financing Order.

12. Certain upfront bond issuance costs, such as fees for underwriters' services and trustee services may be procured through a request-for-proposal process. Subject to the procedures set forth in Finding of Fact paragraph 74, DEF, in consultation with other members of the Bond Team, shall conduct such request-for-proposal process to select underwriters, trustee services and other transaction arrangements as deemed appropriate by the Bond Team other than issuer's counsel and underwriters' counsel to ensure that the processes are competitive, will provide the greatest value for customers, and will result in the selection of transaction participants that have substantial experience with this asset class.

13. Within 120 days after the issuance of nuclear asset-recovery bonds, DEF is required to file with this Commission information on the actual costs of the nuclear asset-recovery bond issuance. This Commission shall review, pursuant to Section 366.95(2)(c)5., Florida Statutes, on a reasonably comparable basis, such information to determine if such costs incurred in the issuance of the bonds resulted in the lowest overall costs that were reasonably consistent with market conditions at the time of issuance and the terms of this Financing Order

(previously defined herein as the "lowest issuance cost objective"). This Commission may disallow any incremental issuance costs in excess of the lowest overall costs by requiring DEF to make a credit to the capacity cost recovery clause in an amount equal to the excess of actual issuance costs incurred, and paid for out of nuclear asset-recovery bond proceeds, and the lowest overall costs as determined by this Commission. No adjustment to the nuclear asset-recovery charges will be made for any such excess issuance costs.

14. To the extent the actual upfront bond issuance costs are in excess of the amount appearing in the final Issuance Advice Letter filed within one business day after actual pricing of the nuclear asset-recovery bonds, we find that DEF shall collect such prudently incurred excess amounts through the capacity cost recovery clause.

15. We acknowledge the actual upfront bond issuance costs to some degree are dependent on the timing of issuance, market conditions at the time of issuance, and other events outside the control of DEF, such as possible litigation, possible review by the SEC, and rating agency requirements. We also acknowledge that the costs of any financial advisor to this Commission and any outside legal counsel to this Commission to assist us in performing our responsibilities under Section 366.95(2)(c)2. and 5., Florida Statutes, including services provided in assisting us in our active role on the Bond Team responsible for the structuring, marketing, and pricing of the nuclear asset-recovery bonds, are costs which are within the control of this Commission and such costs are fully recoverable from nuclear asset-recovery bond proceeds to the extent such costs are eligible for compensation and approved for payment under the terms of such party's contractual arrangements with the Commission, as such arrangements may be modified by any amendment entered into at the Commission's sole discretion. We also acknowledge that to the extent that DEF, in accordance with Finding of Fact 12, selects qualified providers as a result of the request-for-proposal process for providing upfront bond issuing services, DEF will be presumed to have satisfied the lowest issuance cost objective under Section 366.95(2)(c)5. Furthermore, DEF will also be presumed to have satisfied the lowest issuance cost objective with respect to any upfront bond issuance costs that are substantiated by documentation and fall within the estimates submitted to Staff as part of the Issuance Advice Letter procedures described in Finding of Finding paragraphs 76 through 78.

V. NUCLEAR ASSET-RECOVERY CHARGE

16. To repay the nuclear asset-recovery bonds and associated financing costs, DEF is authorized to impose a nuclear asset-recovery charge to be collected on a per-kWh basis from all applicable customer rate classes over a recovery period of not to exceed 20 years. The nuclear asset-recovery charge is nonbypassable, and must be paid by all existing or future customers receiving transmission or distribution services from DEF or its successors or assignees under Commission-approved rate schedules or under special contracts, even if the customer elects to purchase electricity from an alternative electricity supplier following a fundamental change in regulation of public utilities in this state. Section 366.95(1)(j) and (2)(c)2.c., Florida Statutes. In the event that there is a fundamental change in the regulation of public utilities, the nuclear asset-recovery charge shall be collected in a manner that will not adversely affect the rating on the nuclear asset-recovery bonds.

17. The nuclear asset-recovery charge covers the cost associated with repayment of principal of and interest on nuclear asset-recovery bonds and the ongoing financing costs. Ongoing financing costs include, without limitation, rating agency surveillance fees, servicing fees, legal and auditing costs, trustee fees, administration fees, the return on invested capital, regulatory assessment fees and miscellaneous other fees associated with the servicing of the nuclear asset-recovery bonds. Ongoing financing costs may also include the ongoing financing costs of other types of credit enhancement, not specifically described herein, including letters of credit, reserve accounts, surety bonds, interest rate swap agreements entered into in connection with floating rate nuclear asset-recovery bonds, if issued (currently, DEF expects the bonds to be issued in fixed-rate tranches, and thus floating-to-fixed rate swaps are currently not expected to be necessary), interest rate locks and other mechanisms designed to promote the credit quality and or lower the interest costs of the nuclear asset-recovery bonds.

18. Exhibit No. __ (BB-1) **[**Hearing Exhibit _**]**, attached to the testimony of DEF witness Buckler, provides an estimate of the ongoing financing costs associated with the nuclear asset-recovery bonds, which, in addition to debt service, will be recovered through the nuclear asset-recovery charge. Certain of these ongoing financing costs, such as the administration fees and the amount of the servicing fee for DEF (as the initial servicer) are determinable, either by reference to an established dollar amount or a percentage, on or before the issuance of the nuclear asset-recovery bonds. Ongoing financing costs will vary over the term of the nuclear asset-recovery bonds.

Computation of the Nuclear Asset-Recovery Charges

19. A formula-based mechanism as described in Section 366.95(2)(c)4., Florida Statutes, to calculate, and adjust from time to time, the nuclear asset-recovery charges for each customer rate class was submitted by DEF. DEF submitted with its Petition the supporting testimony of Mr. Covington, which provided the true-up mechanism to determine the Periodic Payment Requirement to be recovered from the nuclear asset-recovery charge (the "True-Up Mechanism"). This mechanism is attached as Appendix B.

20. DEF submitted with its Petition the supporting testimony of Ms. Olivier with respect to allocation of these periodic costs and the computation of the nuclear asset-recovery charge for each customer rate class. As discussed in the testimony of Ms. Olivier in Exhibit No.__ (MO-2A) [Hearing Exhibit __], DEF computed the estimated nuclear asset-recovery charge, as described in Section 366.95(1)(j), Florida Statutes. In summary, Section 366.95, Florida Statutes, provides for the recovery of the nuclear asset-recovery costs through nuclear asset-recovery bonds. Accordingly, in order to compute the charges, DEF first applied the allocation factors to the total first year revenue requirements as presented in Mr. Collins' Exhibit No.__ (PC-1) [Hearing Exhibit __] in order to allocate the revenue requirements to each customer rate class. Next, the rate for the secondary metering level was calculated by dividing total revenue requirements for each customer rate class by the effective kWh sales at secondary metering level for each customer rate class. Then the rates for primary and transmission metering levels were calculated by applying metering reductions of 1% and 2%, respectively, from the secondary rate. Then these rates were grossed-up to reflect uncollectible account write-

offs and the regulatory assessment fee to arrive at the nuclear asset-recovery charge by rate schedule.

21. DEF applied the allocation factors to the customer rate classes in the manner in which these costs or their equivalent were allocated in the cost-of-service study filed by DEF in connection with DEF's last rate case, as required by Section 366.95(2)(c)2.g., Florida Statutes. DEF used the allocation factors as well as the sales forecast that were filed in the May 1, 2015 Nuclear Cost Recovery Clause projection filing for 2016 (Docket No. 150009) to calculate the proposed initial nuclear asset-recovery charge per kWh by customer rate schedule. The resulting nuclear asset-recovery charges were then set forth in proposed tariff revisions, as shown in Exhibit No. __ (MO-6A), [Hearing Exhibit __] needed to implement the nuclear asset-recovery charge.

22. We hereby find that the cost allocation formula described in DEF's testimony and embedded in the True-Up Mechanism is consistent with Section 366.95(2)(c)2.g. Florida Statutes and is reasonable.

23. To improve the credit quality of the nuclear asset-recovery bonds, each customer rate class of DEF will, by operation of Section 366.95, Florida Statutes, be required to accept joint and several liability for payment of DEF's nuclear asset-recovery bonds. Although holders of nuclear asset-recovery bonds may not arbitrarily seek to impose the entire burden of repaying nuclear asset-recovery bonds on a single customer or a select group of customers outside the True-Up Mechanism, this means that any delinquencies or under-collections in one customer rate class will be taken into account in the application of the True-Up Mechanism to adjust the nuclear asset-recovery charge for all customers of DEF, not just the class of customers from which the delinquency or under-collection arose.

Treatment of Nuclear Asset-Recovery Charge in Tariff and on Customer Bills

24. The tariff applicable to customers shall indicate the nuclear asset-recovery charge and the ownership of the right to receive that charge. The proposed tariff sheet, submitted as Exhibit No. __ (MO-6A) **[**Hearing Exhibit __**]**, attached to Ms. Olivier's testimony, reflects the needed language. In accordance with Section 366.95(4)(b), Florida Statutes, the nuclear asset-recovery charge will be recognized as a separate line item on customer bills entitled Asset Securitization Charge and include the rate and amount of the charge. In addition, all electric bills will state that, as approved in a financing order, all rights to the Asset Securitization Charge are owned by the SPE and that the Company is acting as collection agent or servicer for the SPE.

Allocation of Collections

25. DEF proposed that nuclear asset-recovery charge collections be allocated based on DEF's existing methodology. Under that methodology, DEF would assign cash collections on a customer-by-customer basis. The first dollars collected would be applied pro rata to past due balances, if any. Once those balances are paid in full, if cash collections are not sufficient to

pay a customer's current bill then the cash would be prorated between the different components of the bill.

True-Up of Nuclear Asset-Recovery Charges

26. After issuance of nuclear asset-recovery bonds, the servicer will submit not less often than every six months (and at least quarterly after the last scheduled payment date of the nuclear asset-recovery bonds) a petition or a letter for our Staff's review, as described in Section 366.95(2)(c)4., Florida Statutes, and in the form attached as an exhibit to the Servicing Agreement (a "True-Up Adjustment Letter"). The True-Up Adjustment Letter will apply the formula-based True-Up Mechanism described herein and in Appendix B to this Financing Order for making expeditious periodic adjustments in the nuclear asset-recovery charge to correct for any overcollection or undercollection of the charges or to otherwise ensure the timely payment of the Periodic Payment Requirement. The Periodic Payment Requirement will be composed of the following components for each collection period: (i) the payments of the principal of and interest on the nuclear asset-recovery bonds issued by the SPE, in accordance with the expected amortization schedule, including deficiencies on past-due principal and interest for any reason and (ii) ongoing financing costs payable during the collection period, including without limitation, the operating costs of the SPE, the cost of servicing the nuclear asset-recovery bonds, trustee fees, rating agency fees, legal and auditing fees, the cost of funding and/or replenishing the Capital Subaccount, the return on investment on the Capital Subaccount deposit and any other credit enhancements established in connection with the nuclear asset-recovery bonds issued by the SPE and other related fees and expenses. The first Periodic Payment Requirement established through the Issuance Advice Letter procedures may be calculated based upon a set of collection periods greater or less than twelve collection periods. Notwithstanding the foregoing, in the event that any nuclear asset-recovery bonds are outstanding following the last scheduled payment date for such bonds, the Periodic Payment Requirement will be calculated so that collections are sufficient to make all payments on those nuclear asset-recovery bonds and in respect of financing costs no later than the immediately following payment date. Along with each True-Up Adjustment Letter, the servicer shall provide workpapers showing all inputs and calculations, including its calculation of the nuclear asset-recovery charge and by customer rate class. Consistent with Section 366.95(2)(c)4., Florida Statutes, our Staff, upon the filing of a True-Up Adjustment Letter made pursuant to this Order, will either administratively approve the requested true-up calculation in writing or inform the servicer of any mathematical errors in its calculation as expeditiously as possible but no later than 60 days following the servicer's true-up filing. Notification and correction of any mathematical errors shall be made so that the true-up is implemented within 60 days of the servicer's true-up filing. If no action is taken within 60 days of the true-up filing, the true-up calculation shall be deemed approved. Upon administrative approval or the passage of 60 days without notification of a mathematical error, no further action of this Commission will be required prior to implementation of the true-up.

27. In addition to the semi-annual true-up adjustment, DEF, as servicer (or a successor servicer) will also be authorized to make optional interim true-up adjustments at any time for any reason to ensure timely payment of the Periodic Payment Requirement, and other required amounts and charges payable in connection with the nuclear asset-recovery bonds,

which adjustment will be implemented based upon the same time frames as the semi-annual true-ups.

28. To guarantee adequate nuclear asset-recovery charge collections and to avoid large over-collections and under-collections over time, we direct that the servicer shall reconcile nuclear asset-recovery charges using DEF's most recent forecast of electricity deliveries (i.e., forecasted billing units) used for all corporate purposes and DEF's estimates of related expenses. Each periodic true-up adjustment should ensure that nuclear asset-recovery charge collections are sufficient to meet the Periodic Payment Requirement. The calculation of the nuclear asset-recovery charges will also reflect both a projection of uncollectible nuclear asset-recovery charges and a projection of payment lags between the billing and collection of nuclear asset-recovery charges based upon DEF's most recent experience regarding collection of nuclear asset-recovery charges.

29. The servicer may also make a non-standard true-up adjustment to be effective simultaneously with a base rate change that includes any change in the rate allocation among customers used to determine the nuclear asset-recovery charges, such true-up to go into effect simultaneously with any changes to DEF's other base rates. Any non-standard true-up will be subject to approval within the 60-day approval period contemplated by 366.95(2)(c)4.

30. The Commission finds that the broad-based nature of the True-Up Mechanism and the pledge of the State of Florida set forth in Section 366.95(11), Florida Statutes, will serve to reduce credit risk associated with the nuclear asset-recovery bonds (i.e., that sufficient funds will be available and paid to discharge all principal of and interest on the nuclear asset-recovery bonds when due).

31. This Commission finds that the True-Up Mechanism should be approved and each True-Up Adjustment Letter will be based upon the cumulative differences, regardless of the reason, between the Periodic Payment Requirement (including scheduled principal and interest payments on the nuclear asset-recovery bonds) and the amount of nuclear asset-recovery charge collections and estimated nuclear asset-recovery charge collections to the indenture trustee.

VI. MITIGATION OF RATE IMPACTS

32. Section 366.95(2)(a)5., Florida Statutes, requires an electric utility petitioning the Commission for a financing order to "estimate any projected cost savings, based on current market conditions, or demonstrate how the issuance of nuclear asset-recovery bonds and the imposition of nuclear asset-recovery charges would avoid or significantly mitigate rate impacts to customers as compared with the traditional method of financing and recovering nuclear asset-recovery costs from customers." In addition, Section 366.95(2)(a)6., Florida Statutes, requires an electric utility petitioning the Commission for a financing order to demonstrate "that securitization has a significant likelihood of resulting in lower overall costs or would avoid or significantly mitigate rate impacts compared to the traditional method of cost recovery." For the CR3 Regulatory Asset, the RRSSA sets forth the traditional method for financing and recovering nuclear asset-recovery costs. Specifically, the RRSSA allows DEF to increase its base rates by

the revenue requirement for the CR3 Regulatory Asset. As set forth in the RRSSA, DEF can recover the CR3 Regulatory Asset value in base rates upon the termination of the Levy Nuclear Plant cost recovery charge. That recovery charge terminated in May 2015; therefore DEF would be authorized to increase its base rates to begin recovering the CR3 Regulatory Asset with the first billing cycle for January 2016. The revenue requirement for the CR3 Regulatory Asset is calculated pursuant to Exhibit 10 to the RRSSA.

33. If nuclear asset-recovery bonds are not issued, DEF has proposed recovery of nuclear asset-recovery costs through the traditional method of recovering such amounts through the implementation of a base rate increase as described in Ms. Olivier's May 22 testimony. Specifically, the year-one base rate increase would be $5.01 per 1000 kWh on the residential bill and the total revenue requirement over the 20 year recovery period would be approximately $2,560 million, and the rate increases for the other customer rate classes are contained in Ms. Olivier's Exhibit No. __ (MO-4) [Hearing Exhibit __].

34. In contrast, based on DEF's request to recover its nuclear asset-recovery costs through the issuance of nuclear asset-recovery bonds in one or more series in an aggregate principal amount not to exceed the Securitizable Balance (assuming a scheduled final payment date of approximately 18 years and final legal maturity of 20 years), DEF estimates that an initial nuclear asset-recovery charge of approximately $3.17 would be imposed on a typical (1,000 kWh) residential bill and the estimated cumulative revenue requirement amount over the total period outstanding would be $1,770 million. DEF has demonstrated that, based on current market conditions, this total estimated cumulative revenue requirement would be $790 million lower, on an undiscounted basis, than the total estimated cumulative revenue requirement under the traditional recovery method.

35. Thus, we find that the issuance of the nuclear asset-recovery bonds and the imposition of the nuclear asset-recovery charges authorized by this Financing Order have a significant likelihood of resulting in lower overall costs or would significantly mitigate rate impacts to customers as compared with the traditional method of financing and recovering nuclear asset-recovery costs.

VII. FLEXIBILITY

36. In this Financing Order, we approve the financing of nuclear asset-recovery costs and upfront bond issuance costs through nuclear asset-recovery bonds with terms to be established by DEF, at the time of pricing, subject to compliance with the Issuance Advice Letter Procedures outlined in this Financing Order. As discussed above, under Mitigation of Rate Impacts, DEF has provided testimony establishing that the issuance of the nuclear asset-recovery bonds will significantly mitigate rate impacts to customers as compared with the traditional method of financing and recovering nuclear asset-recovery costs. Section 366.95(2)(c)2.f., Florida Statutes, requires this Commission to specify the degree of flexibility to be afforded to DEF in establishing the terms and conditions of the nuclear asset-recovery bonds, including, but not limited to, repayment schedules, expected interest rates, and other financing costs consistent with 366.95(2)(c)2.a.-e., Florida Statutes.

37. DEF proposed that the SPE issue nuclear asset-recovery bonds with a scheduled final payment date of approximately 18 years and a legal final maturity date not to exceed 20 years, in each case from the date of issuance of the bonds. Pursuant to the Company's testimony, DEF's proposed structure uses a legal maturity that is approximately 24 months after the scheduled final payment date. This difference provides additional credit protection, allowing shortfalls in principal payments to be recovered over an additional time period and therefore helping in achieving the targeted AAA rating. The Commission finds that the recovery period proposed by DEF to recover the nuclear asset-recovery charge is appropriate and that such recovery period is consistent with the RRSSA.

38. We find that nuclear asset-recovery bonds should be issued in one or more series, each series of nuclear asset-recovery bonds should be issued in one or more tranches, and the nuclear asset-recovery bonds should be structured by DEF, in consultation with the other members of the Bond Team and subject to Finding of Fact paragraph 74, to achieve the statutory financing cost objective. Further, the nuclear asset-recovery bonds shall be structured such that the expected payment of the principal of and interest on the nuclear asset-recovery bonds is expected to be substantially level over those expected terms.

39. Subject to the Issuance Advice Letter procedures in Finding of Fact paragraphs 76 through 78, DEF, in consultation with the other members of the Bond Team subject to Finding of Fact paragraph 74, shall be afforded flexibility in determining the final terms of each series of the nuclear asset-recovery bonds, including payment and maturity dates, interest rates (or the method of determining interest rates), the terms of any interest rate swap agreement, interest rate lock or similar agreement, the creation and funding of any supplemental capital, reserve or other subaccount, and the issuance of nuclear asset-recovery bonds through either one SPE or multiple SPEs, except as otherwise provided in this Financing Order.

40. As noted above, certain costs, such as debt service on the nuclear asset-recovery bonds, as well as the ongoing fees of the trustee, rating agency surveillance fees, regulatory assessment fees and the ongoing financing costs of any other credit enhancement or interest rate swaps, will not be known until the pricing of a series of nuclear asset-recovery bonds. This Financing Order provides flexibility to recover such costs through the nuclear asset-recovery charge and the true-up of such charge. At the same time, we have established the Issuance Advice Letter procedures in Findings of Facts paragraphs 76 through 78 of this Financing Order which are intended to ensure that the structuring, pricing and financing of nuclear asset-recovery bonds achieves the statutory cost objectives.

41. The Commission finds that a bond structure, providing for substantially levelized annual revenue requirements over the expected life of the nuclear asset-recovery bonds, is in the general public interest and should be used. This structure offers the benefit of not relying upon electric utility customer growth and will allow the resulting overall weighted average nuclear asset-recovery charges to remain level or decline over time, if billing determinants remain level or grow.

VIII. TRANSACTION STRUCTURE

42. DEF's proposed transaction structure, as set forth and modified in the body of this Financing Order, is hereby approved.

The SPE

43. DEF will create one or more SPEs as bankruptcy remote, Delaware limited liability companies, in each case, with DEF as its sole member. Each SPE will be formed for the limited purpose of acquiring nuclear asset-recovery property, issuing nuclear asset-recovery bonds in one or more series (each of which may be issued in one or more classes or tranches), and performing other activities relating thereto or otherwise authorized by this Financing Order.

44. The SPEs may issue nuclear asset-recovery bonds approved in this Financing Order, or in future financing orders, so long as such future issuance does not adversely affect the ratings on outstanding nuclear asset-recovery bonds issued for the benefit of DEF. The SPEs may issue nuclear asset-recovery bonds approved in this Financing Order in an aggregate amount not to exceed the Securitizible Balance approved by this Financing Order and will pledge to an indenture trustee, as collateral for payment of the nuclear asset-recovery bonds, the nuclear asset-recovery property, including the SPE's right to receive the nuclear asset-recovery charges as and when collected, and other collateral described in the Indenture. The SPE will not be permitted to engage in any other activities and will have no assets other than nuclear asset-recovery property and related assets to support its obligations under the nuclear asset-recovery bonds and the ongoing financing costs. These restrictions on the activities of the SPE and restrictions on the ability of DEF to take action on the SPE's behalf are imposed to achieve the objective that the SPE will be bankruptcy-remote and not be affected by a bankruptcy of DEF or any affiliate.

45. Each SPE will be managed by a board of managers with rights and duties set forth in its organizational documents. As long as nuclear asset-recovery bonds remain outstanding, the SPE will have at least one independent manager with no organizational affiliation with DEF other than possibly acting as independent manager(s) for another bankruptcy-remote subsidiary of DEF or its affiliates. The SPE will not be permitted to amend the provisions of the LLC Agreement or other organizational documents that relate to bankruptcy-remoteness of the SPE without the consent of the independent manager(s). Similarly, the SPE will not be permitted to institute bankruptcy or insolvency proceedings or to consent to the institution of bankruptcy or insolvency proceedings against it, or to dissolve, liquidate, consolidate, convert, or merge without the consent of the independent managers. Other restrictions to facilitate bankruptcy-remoteness may also be included in the organizational documents of the SPE as required by the rating agencies.

46. The SPEs will have no staff to provide administrative services (such as corporate maintenance, reporting and internal accounting functions). These services will be provided by DEF pursuant to the terms of the Administration Agreement.

47. Per rating agency and IRS requirements, DEF will transfer to the SPE an amount required to capitalize the SPE adequately (the "SPE Capitalization Level") for deposit into the Capital Subaccount. The SPE Capitalization Level is expected to be 0.50% of the initial principal amount of the nuclear asset-recovery bonds to be issued by the SPE or such greater amount as might be needed to meet IRS or rating agency requirements. The actual SPE Capitalization Level will depend on tax and rating agency requirements.

Principal Amortization

48. The expected term of the scheduled final payment date of the last maturing tranche should be at least approximately 18 years from the issuance of the series of nuclear asset-recovery bonds. The legal final maturity date of each tranche should be no greater than two years longer than the scheduled final payment date for that tranche (but in any event no longer than 20 years from the date of issuance).

49. Annual payments of principal of and interest on the nuclear asset-recovery bonds shall be substantially level over the expected term of the nuclear asset-recovery bonds.

50. The first payment of principal and interest for each series of nuclear asset-recovery bonds shall occur within 12 months of issuance. Payments of principal and interest thereafter shall be no less frequent than semi-annually.

Interest Rates

51. We find that each tranche of the nuclear asset-recovery bonds should have a fixed interest rate, based on current market conditions. If market conditions change, and it becomes necessary for the one or more tranches of bonds to be issued in floating-rate mode, DEF is authorized to issue such bonds but will be required to execute agreements to swap the floating payments to fixed-rate payments. We find that DEF and the Commission's financial advisor (if deemed necessary by the Commission), each are required to certify that the structuring, pricing and financing costs of nuclear asset-recovery bonds of each series in fact achieved the statutory financing cost objective.

Ongoing Financing Costs

52. DEF will be the initial servicer of the nuclear asset-recovery bonds. To preserve the integrity of the bankruptcy-remote structure of the SPE and ensure the high credit quality of the nuclear asset-recovery bonds, the servicer must be adequately compensated for the services it provides, including the calculation, billing, and collection of nuclear asset-recovery charges, remittance of those charges to the indenture trustee, and the preparation, filing, and processing of True-Up Adjustment Letters. DEF's proposed form of Servicing Agreement provides for an ongoing servicing fee for the initial servicer in the amount of 0.05 percent of the initial principal amount of the nuclear asset-recovery bonds plus out-of-pocket expenses. DEF has submitted testimony on the costs anticipated to be incurred by it in connection with the servicing functions under the Servicing Agreement, and we find such costs to be reasonable and appropriate.

Accordingly, we find that this level of ongoing servicing fee is a reasonable reflection of the costs anticipated to be incurred by DEF, and are appropriate for the purpose of preserving the integrity of the bankruptcy-remote structure of the SPE and ensuring the high credit quality of the nuclear asset-recovery bonds.

53. DEF will establish the SPE and perform the administrative duties necessary to maintain the SPE. To preserve the integrity of the bankruptcy-remote structure of the SPE and ensure the high credit quality of the nuclear asset-recovery bonds, the administrator must be adequately compensated for these services. DEF's proposed form of Administration Agreement provides for an ongoing fee of $100,000 per year plus out-of-pocket expenses. DEF has submitted testimony describing the costs anticipated to be incurred by it in connection with the administration functions under the Administration Agreement. Accordingly, we find such costs to be reasonable and appropriate and we further find that this level of ongoing fee reflect the costs anticipated to be incurred by DEF, and are appropriate for the purpose of preserving the integrity of the bankruptcy-remote structure of the SPE and ensuring the high credit quality of the nuclear asset-recovery bonds.

Credit Ratings

54. The Company anticipates that each series of nuclear asset-recovery bonds will have a AAA rating from at least two nationally recognized rating agencies, and DEF is authorized to provide necessary credit enhancements, with recovery of related costs as a form of ongoing financing costs, to achieve such ratings.

Offering and Sale of the Bonds

55. DEF has proposed that the nuclear asset-recovery bonds be offered pursuant to an SEC-registered offering, rather than a Rule 144A qualified institutional offering. The Company has provided testimony to the effect that virtually all utility securitizations have been sold as SEC-registered public transactions. Further, the Company has provided testimony to the effect that an SEC-registered, public offering, is likely to result in a lower cost of funds relative to Rule 144A qualified institutional offering, all else being equal, due to the enhanced transparency and liquidity of publicly-registered securities. Pursuant to Mr. Collins' testimony, new SEC registration requirements will become effective prior to December 2015. Compliance with these new requirements may increase costs and result in delay of the offering. Accordingly, subject to the Issuance Advice Letter procedure, the Commission finds that an SEC-registered public offering is most likely to result in lower costs to consumers, and should be approved. However, the Commission further finds, in light of new SEC registration requirements, DEF, in consultation with the other members of the Bond Team, subject to the Issuance Advice Letter procedures and Finding of Fact paragraph 74, may pursue a Rule 144A qualified institutional offering of the nuclear asset-recovery bonds.

56. DEF has proposed that the bonds be sold pursuant to a sale to one or more underwriters in a negotiated offering. DEF has further proposed that the lead managing underwriter(s) will be selected by DEF pursuant to the procedures in Finding of Fact paragraph

65. DEF has testified that a negotiated underwriting is likely to provide greater flexibility and availability of investor funds than a competitively sold transaction. The Commission finds, subject to the Issuance Advice Letter procedures, that the issuance of the nuclear asset-recovery bonds pursuant to a negotiated sale is likely to result in lower overall costs and satisfy the statutory financing cost objective, and should be approved. However, DEF, in consultation with the other members of the Bond Team, subject to the Issuance Advice Letter procedures and Finding of Fact paragraph 74 is authorized to pursue other sale options, including a competitively sold transaction, in order to satisfy the statutory cost objectives.

Security for the Nuclear Asset-Recovery Bonds

57. As proposed by DEF, the payment of the nuclear asset-recovery bonds and related nuclear asset-recovery charges authorized by this Financing Order is to be secured by the nuclear asset-recovery property created by this Financing Order and by certain other collateral as described in the Petition. The nuclear asset-recovery bonds will be issued pursuant to the Indenture under which the indenture trustee will administer the trust. The Indenture shall include provisions for a Collection Account for each series of nuclear asset-recovery bonds and subaccounts for the collection and administration for the nuclear asset-recovery charges and payment or funding of the principal of and interest on the nuclear asset-recovery bonds and other costs, including fees and expenses, in connection with the nuclear asset-recovery bonds, as described in this Financing Order. Pursuant to the Indenture, the SPE shall establish a Collection Account as a trust account to be held by the indenture trustee as collateral to facilitate the payment of the principal of, interest on, and other costs related to the series of nuclear asset-recovery bonds in full and on a timely basis. The Collection Account shall include a General Subaccount, a Capital Subaccount and an Excess Funds Subaccount, and may include other subaccounts if required to obtain AAA ratings on the series of nuclear asset-recovery bonds.

58. The Excess Funds Subaccount will hold any nuclear asset-recovery charge collections and investment earnings on amounts in the Collection Account in excess of the amounts needed to pay current principal of and interest on the nuclear asset-recovery bonds and to pay other Periodic Payment Requirements (including, but not limited to, funding or replenishing the Capital Subaccount). Any balance in or allocated to the Excess Funds Subaccount on a true-up adjustment date will be subtracted from the Periodic Revenue Requirement for purposes of the true-up adjustment. The funds in this Excess Funds Subaccount will be invested by the indenture trustee in short-term high-quality investments, and such funds (including investment earnings thereon) will be used by the indenture trustee to reduce the nuclear asset-recovery revenue requirement for purposes of the true-up adjustment.

59. The Collection Account and the subaccounts described above are intended to facilitate the full and timely payment of scheduled principal of and interest on the series of nuclear asset-recovery bonds and all other components of the Periodic Payment Requirement. If for any reason the amount of nuclear asset-recovery charge collections in the General Subaccount is insufficient to make, on a timely basis, all scheduled payments of principal of and interest on the nuclear asset-recovery bonds and to make payment of all of the other components of the Periodic Payment Requirement, the Excess Funds Subaccount and the Capital Subaccount

will be drawn down, in that order, to make those payments. Any deficiency in the Capital Subaccount due to such withdrawals must be replenished on a periodic basis through the true-up process. In addition to the foregoing, there may be such additional accounts and subaccounts as are necessary to segregate amounts received from various sources, or to be used for specified purposes. Such accounts and subaccounts will be administered and utilized as set forth in the Servicing Agreement and the Indenture. Upon the maturity of the series of nuclear asset-recovery bonds and upon discharge of all obligations in respect thereof, amounts remaining in the Collection Account will be released to the SPE and will be available for distribution by the SPE to DEF. Equivalent amounts, less the amount of the Capital Subaccount, will be credited by DEF to current customers' bills in the same manner that the charges were collected, or through a credit to the capacity cost recovery clause if the Commission determines at the time of retirement that a direct credit to customers' bills is not cost-effective.

DEF as Initial Servicer of the Nuclear Asset-Recovery Bonds

60. DEF will execute a Servicing Agreement, the final terms of which shall be reviewed and commented upon by the Bond Team subject to Finding of Fact 75. The Servicing Agreement may be amended, renewed, or replaced by another servicing agreement in accordance with its terms.

a. Under the Servicing Agreement, the servicer shall be required, among other things, to impose, bill, collect and receive the nuclear asset-recovery charges for the benefit and account of the SPE, to make the periodic true-up adjustments of nuclear asset-recovery charges required or allowed by this Financing Order, and to account for and remit the nuclear asset-recovery charges to or for the account of the SPE in accordance with the remittance procedures contained in the Servicing Agreement without any charge, deduction, or surcharge of any kind, other than the servicing fee specified in the Servicing Agreement. The appropriate servicing fee shall be as set forth in this Financing Order.

b. DEF's proposed form of Servicing Agreement provides for an annual fee for ongoing services of up to 0.05 percent of the initial principal amount of the nuclear asset-recovery bonds plus out-of-pocket expenses. In addition to the annual ongoing servicing fee, DEF proposes to recover as an upfront bond issuance cost, approximately $1,900,000 to recover set-up costs of the servicer, including information technology programming costs to adapt DEF's existing systems to bill, collect, receive and process nuclear asset-recovery charges, and to set up necessary servicing functions. The evidence shows that these amounts represent a prudently incurred cost to DEF and we find that those costs are reasonable.

c. DEF shall indemnify customers to the extent customers incur losses associated with higher servicing fees payable to a substitute servicer as a result of DEF's negligence, recklessness or willful misconduct. This indemnification provision shall be reflected in the transaction documents for these nuclear asset-recovery bonds.

d. DEF has proposed that it not be permitted voluntarily to resign from its duties as servicer if the resignation will harm the credit rating on nuclear asset-recovery bonds issued by

the SPE. Even if DEF's resignation as servicer would not harm the credit rating on the nuclear asset-recovery bonds issued by the SPE, we find and direct that DEF shall not be permitted to voluntarily resign from its duties as servicer without consent of the Commission. If DEF defaults on its duties as servicer or is required for any reason to discontinue those functions, then DEF proposes that a successor servicer acceptable to the indenture trustee be named to replace DEF as servicer so long as such replacement would not cause any of the then current credit ratings of the nuclear asset-recovery bonds to be suspended, withdrawn or downgraded. We find that any successor servicer to DEF also should be acceptable to the Commission.

e. DEF has proposed that, and we find and direct that, the servicing fee payable to a substitute servicer should not exceed 0.60% per annum on the initial principal balance of the nuclear asset-recovery bonds, unless a higher fee is approved by the Commission.

f. We find and direct that the SPE and the indenture trustee shall not be permitted to waive any material obligations of DEF as transferor or as servicer of nuclear asset-recovery property without express written consent of this Commission.

DEF as Administrator of the SPE

61. Under the Administration Agreement, DEF will establish the SPE and perform the administrative duties necessary to maintain the SPE. The appropriate administration fee shall be as set forth in this Financing Order.

62. DEF's proposed form of Administration Agreement provides for a $100,000 annual fee plus out-of-pocket expenses for performing the services required by the Administration Agreement. DEF has submitted testimony regarding the costs anticipated to be incurred by it in connection with the Administration Agreement. We find that DEF has demonstrated that this annual fee is necessary to cover any costs to be incurred by DEF in performing services as administrator.

63. The servicing and administration fees collected by DEF, or any affiliate of DEF, acting as either the servicer or the administrator under the Servicing Agreement or Administration Agreement, respectively, will be included in DEF's cost of service. The expenses incurred by DEF or such affiliate to perform obligations under the Servicing Agreement or Administration Agreement not otherwise recovered through the nuclear asset-recovery charges will likewise be included in DEF's cost of service.

Nuclear Asset-Recovery Bonds To Be Treated As "Debt" for Federal Income Tax Purposes

64. In light of the IRS safe harbor rules, we find that DEF shall be responsible to structure the nuclear asset-recovery bond transactions in a way that clearly meets all requirements for the IRS' safe harbor treatment.

IX. UNDERWRITER REQUIREMENTS

65. DEF has proposed that the book-running underwriters for the transaction be selected by the Company, in consultation with the other members with the Bond Team, through a request for proposal process, as described in Finding of Fact paragraph 70, excluding from the Bond Team for purposes of this paragraph, the Company's structuring advisor.

66. We find that requiring all book-running underwriters of a series of nuclear asset-recovery bonds to deliver periodic reports with indicative pricing levels derived by each book-running underwriter for the nuclear asset-recovery bonds before any public offering of that series of nuclear asset-recovery bonds is launched is likely to facilitate achievement of the statutory financing cost objective.

67. Subject to Finding of Fact paragraph 75, DEF, the book-running underwriters and the other members of the Bond Team will work collaboratively to develop any term sheet, prospectus, registration statement, offering memorandum or other marketing materials used by the underwriting syndicate in marketing the nuclear asset-recovery bonds (collectively, the "offering documents") and to ensure a broad distribution to potential investors most likely to facilitate achievement of the statutory financing cost objective.

X. COMMISSION PARTICIPATION IN THE TRANSACTION

68. The Commission has engaged the services of a financial advisor for the purposes described herein in this Financing Order.

69. We find that this Commission, as represented by a designated Commissioner, designated Commission Staff, the Commission's financial advisor, and the Commission's outside legal counsel (if any), shall be actively involved in the bond issuance, subject to Finding of Fact paragraph 74, as part of a Bond Team that also includes DEF, its financial advisor or underwriter(s), and its outside counsel(s), in the structuring, marketing, and pricing of each series of nuclear asset-recovery bonds. This will allow for meaningful and substantive cooperation among DEF and the Commission and its representatives to ensure that the structuring, pricing, and financing costs of the nuclear asset-recovery bonds will achieve the statutory cost objectives. Cooperation among DEF and the Commission will promote transparency in the nuclear asset-recovery bond pricing process, thereby promoting the integrity of the issuance process.

70. Subject to Finding of Fact paragraph 74, DEF, in consultation with the other members of the Bond Team, shall conduct a request-for-proposal process to select underwriters, trustee services and other transaction arrangements as deemed appropriate by the Bond Team other than issuer's counsel and underwriters' counsel to ensure that the processes are competitive, will provide the greatest value for customers, and will result in the selection of transaction participants that have substantial experience with this asset class.

71. Subject to Finding of Fact paragraph 75, the Bond Team shall review the nuclear asset-recovery bond transaction documents to ensure that the transaction documents reflect the

terms of this Financing Order. All legal opinions related to the nuclear asset-recovery bond transaction shall be provided to the Bond Team for review subject to Finding of Fact paragraph 75.

72. The Bond Team shall have the opportunity to review the presentations to the rating agencies; provided, however, this Commission recognizes that DEF will have primary securities law liability for the transaction as well as have obligations and liabilities resulting from DEF's engagement with the rating agencies, and as such, any contact with the rating agencies in any form must be conducted under the direct control of DEF and its counsel, at DEF's sole discretion, consistent with Finding of Fact paragraph 75.

73. The Bond Team shall work on a cooperative basis to create significant competition among investors in order to ensure that the statutory cost objectives are achieved.

74. Any issue requiring consultation with the Bond Team, that the Bond Team participants are unable to resolve to their mutual satisfaction should initially be presented in writing by the Bond Team participants for resolution by a designated Commissioner, subject to de novo review by the full Commission. All parties to this docket shall be provided prior notice of any matter taken in writing to the designated Commissioner and provided the opportunity for comment before the designated Commissioner. All parties shall also be provided notice of any decision reached by the designated Commissioner. Any party may seek a de novo review by the full Commission of any decision of the designated Commissioner.

75. As this Commission recognizes that DEF will have primary securities law liability with respect to the transaction, (i) all contact by any party to the financing (including, without limitation, the Commission, its Staff, and its advisors) with the rating agencies, the Securities and Exchange Commission, the press, and potential nuclear asset-recovery bond investors; and (ii) the content of all offering documents shall be under the direct control of DEF and its counsel at DEF's sole discretion.

XI. **ISSUANCE ADVICE LETTER PROCEDURE**

76. DEF shall file with the Commission a draft of an Issuance Advice Letter ("IAL") and Form of True-Up Adjustment Letter ("TUAL") (combined into one document) in the form of Appendix C hereto at least two weeks prior to the expected pricing of the nuclear asset-recovery based upon the best information available at that time. Other aspects of the certifications may be modified to describe the particulars of the nuclear asset-recovery bonds and the actions that were taken during the transaction. Such draft shall include drafts of any certifications of DEF and the Commission's financial advisor, if required, to be provided in connection with the filing of the final IAL/TUAL. Such certifications may be provided to the Commission on a confidential basis. Within one week of receiving the proposed form of combined IAL/TUAL, the members of the Bond Team representing this Commission shall provide comments and recommendations to DEF regarding the adequacy of information proposed to be provided. The Commission, acting directly, or though the Commission's Staff designee, may agree to waive the proscribed time

period for submission and review of the draft IAL/TUAL and any failure to provide written comments to the draft IAL/TUAL within the proscribed time period will conclusively evidence a waiver of any objections. Prior to the submission of the first draft of the IAL/TUAL and through the period ending with the issuance of the nuclear asset-recovery bonds, DEF will provide the Bond Team with timely information so that the Commission can participate fully and in advance regarding all material aspects relating to the structuring, pricing and financing costs of the nuclear asset-recovery bonds.

77. DEF shall file a combined IAL/TUAL in final form with the Commission within one business day after actual pricing at which time a meeting will be noticed for three business days after pricing to afford this Commission an opportunity to review the proposed transaction. As shown in the form of IAL/TUAL in Appendix C, the combined IAL/TUAL shall include the following information: the actual structure of the nuclear asset-recovery bond issuance; the expected and final maturities of the nuclear asset-recovery bonds; over-collateralization levels (if any); any other credit enhancements; revised estimates of the upfront bond issuance costs proposed to be financed from proceeds of the nuclear asset-recovery bonds and estimates of debt service and other ongoing financing costs for the first collection period and other information specific to the nuclear asset-recovery bonds. Finally, the combined IAL/TUAL shall include certifications from DEF and the Commission's financial advisor, if required, that the structuring, pricing and financing costs of the nuclear asset-recovery bonds achieved the statutory cost objectives.

78. The actual details of the transaction, including certifications from DEF and the Commission's financial advisor, if required, included with the ITAL/TUAL shall be provided no later than the first business day after pricing (unless the Commission, acting through its representatives agree to a longer time). The members of the Bond Team representing this Commission will review this information on the second business day after pricing. At the meeting previously noticed for the third day after pricing, the members of the Bond Team representing this Commission will present to this Commission the results of their review. If this Commission determines that the IAL/TUAL and all required certifications have been delivered and the transaction complies with applicable law and this Financing Order, the transaction proceeds without any further action of this Commission. The Commission anticipates that it will not issue an order to stop the transaction unless the Commission determines that (a) the transaction does not comply with applicable law and this Financing Order, and (b) DEF and the Commission's financial advisor, if required, each has not delivered the required certifications in a form acceptable to the Commission. However, this Commission retains discretion either to allow the transaction to be completed or to issue an order to stop the transaction if DEF and/or the Commission's financial advisor, if required, fail to deliver the required certifications or are unable or unwilling to deliver the required certifications in a form acceptable to this Commission. We will not issue an order to stop the transaction for any other reason, for example, a change in market conditions after the moment of pricing.

79. DEF will retain sole discretion regarding whether or when to assign, sell or otherwise transfer any rights concerning nuclear asset-recovery property arising under this Financing Order, or to cause the issuance of any nuclear asset-recovery bonds authorized in this

Financing Order; *provided*, that any issuance must satisfy the statutory financing cost objective. Subject to the Issuance Advice Letter procedures described above, SPE will issue the nuclear asset-recovery bonds on or after the fifth business day after pricing of the nuclear asset-recovery bonds.

80. In the event (i) the Bond Team determines that the issuance of the nuclear asset-recovery bonds would not achieve the statutory financing cost objectives or (ii) the Commission will not permit issuance of the nuclear asset-recovery bonds by issuing an order to stop the transaction in accordance with the Issuance Advice Letter procedures, then DEF shall not be precluded from seeking to recover financing costs incurred and carrying costs accrued post December 31, 2015 through the capacity cost recovery clause over a period to be determined by the Commission.

CONCLUSIONS OF LAW

I. JURISDICTION

1. We have jurisdiction over this matter pursuant to Section 366.95, Florida Statutes.

II. STATUTORY REQUIREMENTS

2. Based on the statutory criteria and procedures, the record in this proceeding, and other provisions of this Financing Order, the statutory requirements for issuance of a financing order have been met, specifically that the issuance of the nuclear asset-recovery bonds and the imposition of nuclear asset-recovery charges authorized by this Financing Order have a significant likelihood of resulting in lower overall costs or would avoid or significantly mitigate rate impacts to customers as compared with the traditional method of financing and recovering nuclear asset-recovery costs.

III. NUCLEAR ASSET-RECOVERY BONDS

3. Each SPE will be an "assignee" as defined in Section 366.95(1)(b), Florida Statutes, when an interest in nuclear asset-recovery property is transferred, other than as security, to that SPE.

4. The holders of nuclear asset-recovery bonds, the indenture trustee, any collateral agent, and the counterparty to any hedging contract, interest rate lock contract, interest rate swap contract or other ancillary agreement in respect of some or all of the nuclear asset-recovery bonds will each be a "financing party" as defined in Section 366.95(1)(g), Florida Statutes.

5. Each SPE may issue nuclear asset-recovery bonds in accordance with this Financing Order.

6. As provided in Section 366.95, Florida Statutes, the rights and interests of DEF or its successor or assignees under this Financing Order, including the right to impose, bill, collect, and receive the nuclear asset-recovery charges authorized in this Financing Order, are assignable and become nuclear asset-recovery property when the nuclear asset-recovery property is transferred to an SPE.

7. The rights, interests, and property conveyed to an SPE in the Nuclear Asset-Recovery Property Purchase and Sale Agreement and the related Bill of Sale, including without limitation the irrevocable right to impose, bill, collect, and receive the nuclear asset-recovery charges and the revenues and collections from the nuclear asset-recovery charges are "nuclear asset-recovery property" within the meaning of Section 366.95, Florida Statutes.

8. All revenues and collections resulting from the nuclear asset-recovery charges will constitute proceeds only of the nuclear asset-recovery property arising from this Financing Order.

9. Upon the transfer by DEF of the nuclear asset-recovery property to an SPE, that SPE will have all of the rights, title and interest of DEF with respect to such nuclear asset-recovery property, including the right to impose, bill, collect, and receive the nuclear asset-recovery charge authorized by this Financing Order.

10. The nuclear asset-recovery bonds issued pursuant to this Financing Order will be "nuclear asset-recovery bonds" within the meaning of Section 366.95(1)(i), Florida Statutes, and the nuclear asset-recovery bonds and holders thereof will be entitled to all of the protections provided under Section 366.95, Florida Statutes.

11. The methodology approved in this Financing Order to true-up the nuclear asset-recovery charges satisfies the requirements of Section 366.95, Florida Statutes.

12. For so long as nuclear asset-recovery bonds are outstanding and the related nuclear asset-recovery costs and financing costs have not been paid in full, the nuclear asset-recovery charges authorized in this Financing Order to be imposed and collected are "nonbypassable" pursuant to Sections 366.95(11)(b)1. and 366.95(2)(c)2.c., Florida Statutes — that is, the nuclear asset-recovery charges shall be paid by all existing and future customers receiving electric transmission or distribution service from DEF or its successors or assignees under Commission-approved rate schedules or under special contracts, even if the customer elects to purchase electricity from an alternative electric supplier following a fundamental change in regulation of public utilities in the State of Florida.

13. If and when DEF transfers to an SPE the right to impose, bill, collect, and receive the nuclear asset-recovery charge and to issue nuclear asset-recovery bonds, the servicer will be entitled to recover the nuclear asset-recovery charge associated with such nuclear asset-recovery property only for the benefit of that SPE and the holders of the nuclear asset-recovery bonds in accordance with the Servicing Agreement.

14. The issuance of nuclear asset-recovery bonds does not directly, indirectly, or contingently obligate the state or any agency, political subdivision, or instrumentality of the state to levy any tax or make any appropriation for payment of the nuclear asset-recovery bonds, other than in their capacity as consumers of electricity.

IV. NUCLEAR ASSET-RECOVERY PROPERTY

15. Nuclear asset-recovery property consists of; (1) all rights and interests of DEF or any successor or assignee of DEF under this Financing Order, including the right to impose, bill, collect, and receive nuclear asset-recovery charges authorized in this Financing Order and to obtain periodic adjustments to such nuclear asset-recovery charges as provided in this Financing Order, and (2) all revenues, collections, claims, rights to payments, payments, money, or proceeds arising from the rights and interests specified in clause (1), regardless of whether such revenues, collections, claims, rights to payment, payments, money, or proceeds are imposed, billed, received, collected, or maintained together with or commingled with other revenues, collections, rights to payment, payments, money, or proceeds.

16. The creation of nuclear asset-recovery property pursuant to this Financing Order is conditioned upon, and shall be simultaneous with, the sale or other transfer of the nuclear asset-recovery property to the SPE and the pledge of the nuclear asset-recovery property to secure nuclear asset-recovery bonds.

17. The nuclear asset-recovery property shall constitute an existing, present property right or interest therein, notwithstanding that the imposition and collection of nuclear asset-recovery charges depends on DEF performing its servicing functions relating to the collection of nuclear asset-recovery charges and on future electricity consumption. Such property shall exist regardless of whether the revenues or proceeds arising from the property have been billed, have accrued, or have been collected and notwithstanding the fact that the value or amount of the property is dependent on the future provision of service to customers by DEF or its successors or assignees.

18. The nuclear asset-recovery property shall continue to exist until the nuclear asset-recovery bonds are paid in full and all financing costs and other costs of the nuclear asset-recovery bonds have been recovered in full.

19. The nuclear asset-recovery property constitutes a present property right for purposes of contracts concerning the sale or pledge of property. The interest of a transferee, purchaser, acquirer, assignee, or pledgee in the nuclear asset-recovery property, and in the revenue and collections arising from that property, is not subject to setoff, counterclaim, surcharge, or defense by DEF or any other person or in connection with the reorganization, bankruptcy, or other insolvency of DEF or any other entity. Section 366.95(5)(a)(5), Florida Statutes.

20. The creation, attachment, granting, perfection, priority and enforcement of liens and security interests in nuclear asset-recovery property are governed by Section 366.95(5)(b), Florida Statutes.

21. Pursuant to Section 366.95(5)(b)5., Florida Statutes, the priority of any lien and security interest in the nuclear asset-recovery property arising from this Financing Order shall not be considered impaired by any later modification of this Financing Order or nuclear asset-recovery property or by the commingling of the funds arising from nuclear asset-recovery property with any other funds.

22. When DEF transfers nuclear asset-recovery property to an SPE pursuant to this Financing Order under an agreement that expressly states that the transfer is a sale or other absolute transfer in accordance with the "absolute transfer" provisions of Section 366.95(5)(c), Florida Statutes, that transfer shall constitute an absolute transfer and true sale and not a secured transaction or other financing arrangement, and title (both legal and equitable) to the nuclear asset-recovery property shall immediately pass to the SPE. After such a transfer, the nuclear asset-recovery property shall not be subject to any claims of DEF or its creditors, other than creditors holding a properly perfected prior security interest in the nuclear asset-recovery property perfected under Section 366.95, Florida Statutes. As provided by Section

366.95(5)(c)2., Florida Statutes, the characterization of the sale, conveyance, assignment, or transfer of nuclear asset-recovery property as a true sale or other absolute transfer and the corresponding characterization of the transferee's property interest shall not be affected by: (1) commingling of amounts arising with respect to the nuclear asset-recovery property with other amounts; (2) the retention by DEF of a partial or residual interest, including an equity interest, in the nuclear asset-recovery property, whether direct or indirect, or whether subordinate or otherwise; (3) any recourse that the transferee may have against DEF other than any such recourse created, contingent upon, or otherwise occurring or resulting from one or more of DEF's customers' inability to timely pay all or a portion of the nuclear asset-recovery charge; (4) any indemnification, obligations, or repurchase rights made or provided by DEF, other than indemnity or repurchase rights based solely upon DEF's customers' inability or failure to timely pay all or a portion of the nuclear asset-recovery charge; (5) the responsibility of DEF to collect nuclear asset-recovery charges; (6) the treatment of the sale, conveyance, assignment, or other transfer for tax, financial reporting, or other purposes; or (7) granting or providing to holders of the nuclear asset-recovery bonds a preferred right to the nuclear asset-recovery property or credit enhancement by DEF or its affiliates with respect to the nuclear asset-recovery bonds.

23. If DEF defaults on any required remittance of amounts collected in respect of nuclear asset-recovery property specified in this Financing Order, a court, upon application by an interested party, and without limiting any other remedies available to the applying party, shall order the sequestration and payment of the revenues arising from the nuclear asset-recovery property to the other financing parties. Any such order shall remain in full force and effect notwithstanding any reorganization, bankruptcy, or other insolvency proceedings with respect to DEF or its successors or assignees.

V. STATE PLEDGE

24. Pursuant to Section 366.95(11), Florida Statutes, the State of Florida has pledged to and agrees with bondholders, the owners of the nuclear asset-recovery property, and other financing parties that the State will not:

a. Alter the provisions of Section 366.95, Florida Statutes, which make the nuclear asset-recovery charges imposed by this Financing Order irrevocable, binding, and nonbypassable charges;

b. Take or permit any action that impairs or would impair the value of nuclear asset-recovery property or revises the nuclear asset-recovery costs for which recovery is authorized; or

c. Except as allowed under Section 366.95, Florida Statutes, reduce, alter, or impair nuclear asset-recovery charges that are to be imposed, collected, and remitted for the benefit of the bondholders and other financing parties until any and all principal, interest, premium, financing costs and other fees, expenses, or charges incurred, and any contracts to be performed, in connection with the related nuclear asset-recovery bonds have been paid and performed in full.

25. Nothing in the State Pledge described in the preceding paragraph precludes limitation or alterations if full compensation is made by law for the full protection of the nuclear asset-recovery charges collected pursuant to this Financing Order and of the holders of nuclear asset-recovery bonds and any assignee or financing party entering into a contract with DEF. Section 366.95(11), Florida Statutes.

VI. EFFECT OF THIS ORDER

26. Having issued this Financing Order, this Commission may not, in exercising its powers and carrying out its duties, consider the nuclear asset-recovery bonds to be the debt of DEF other than for federal income tax purposes, consider the nuclear asset-recovery charges paid under this Financing Order to be the revenue of DEF for any purpose, or consider the nuclear asset-recovery costs or financing costs specified in this Financing Order to be the costs of DEF, nor may this Commission determine any action taken by DEF which is consistent with this Financing Order to be unjust or unreasonable.

27. Upon the issuance of nuclear asset-recovery bonds authorized hereby, this Commission's obligations under this Financing Order relating to the nuclear asset-recovery bonds, including the specific actions this Commission guarantees to take, are direct, explicit, irrevocable, and unconditional, and are legally enforceable against the Commission, a United States public sector entity.

28. Pursuant to Section 366.95(2)(c)6., subsequent to the earlier of the transfer of nuclear asset-recovery property to SPE or the issuance of nuclear asset-recovery bonds authorized hereby, this Financing Order is irrevocable and, except as provided in Section 366.95(2)(c)4. and (2)(d), Florida Statutes, this Commission may not amend, modify, or terminate this Financing Order by any subsequent action or reduce, impair, postpone, terminate, or otherwise adjust nuclear asset-recovery charges approved herein.

29. As provided in Section 366.95(2)(c)6., Florida Statutes, DEF retains sole discretion regarding whether to assign, sell, or otherwise transfer nuclear asset-recovery property or to cause the nuclear asset-recovery bonds to be issued, including the right to defer or postpone such assignment, sale, transfer or issuance.

30. The electric bills of DEF must explicitly reflect that a portion of the charges on such bill represents nuclear asset-recovery charges approved in this Financing Order and must include a statement to the effect that the SPE is the owner of the rights to nuclear asset-recovery charges and that DEF is acting as a servicer for the SPE. The tariff applicable to customers must indicate the nuclear asset-recovery charge and the ownership of that charge. Any failure of DEF to comply with this paragraph shall not invalidate, impair, or affect this Financing Order, or any nuclear asset-recovery property, nuclear asset-recovery charge, or nuclear asset-recovery bonds, but shall subject DEF to penalties under Section 366.095, Florida Statutes.

31. This Financing Order and the nuclear asset-recovery charges authorized hereby shall remain in effect until the nuclear asset-recovery bonds have been paid in full and the

Commission-approved financing costs have been recovered in full, provided that the charges may not be imposed after a date 20 years from the date of issuance of the nuclear asset-recovery bonds. This Financing Order shall remain in effect and unabated notwithstanding the reorganization, bankruptcy, or other insolvency proceedings of DEF or its successors or assignees. Any successor to DEF, whether pursuant to any reorganization, bankruptcy, or other insolvency proceeding or whether pursuant to any merger or acquisition, sale, or other business combination, or transfer by operation of law, as a result of electric utility restructuring or otherwise, shall perform and satisfy all obligations of, and have the same rights under this Financing Order as, DEF in the same manner and to the same extent as DEF, including collecting and paying to the person entitled to receive the revenues, collections, payments, or proceeds of the nuclear asset-recovery property.

32. All tasks performed by any consultant or counsel at the request of this Commission or Commission Staff pursuant to this Financing Order shall be treated as performed for the purpose of assisting or enabling the Commission to perform the responsibilities of Sections 366.95(2)(c)2. and 366.95(2)(c)5., Florida Statutes, and any expenses incurred in connection with those services, to the extent such expenses are eligible for compensation and approved for payment under the terms of such party's contractual arrangements with this Commission (which may be modified by any amendment entered into at this Commission's sole discretion), shall be treated as "financing costs" for purposes of determining nuclear asset-recovery charges.

33. The Commission, acting on its own behalf, has authority to enforce all provisions of this Financing Order and all provisions of the nuclear asset-recovery bond transaction documents for the benefit of customers, including without limitation the enforcement of any customer indemnification provisions in connection with specified items in the Servicing Agreement, the Indenture, and the Nuclear Asset-Recovery Property Purchase and Sale Agreement.

34. The authority granted by this Financing Order to issue nuclear asset-recovery bonds is severable from, and not impacted by, the actions or inactions of the Commission or other bodies with respect to the Commission's determination of the extent to which the nuclear asset-recovery charges shall be recoverable from any person or entity or from any particular group, class, or type of customer.

35. The procedures for determining that the actual upfront bond issuance costs of the nuclear asset-recovery bonds will result in the lowest overall costs, reasonably consistent with market conditions at the time of the issuance and the terms of this Financing Order, are hereby authorized pursuant with Section 366.95(2)(c)5., Florida Statutes.

ORDERING PARAGRAPHS

Based on the foregoing, it is

1. ORDERED by the Florida Public Service Commission that Duke Energy Florida, Inc.'s petition for a Financing Order authorizing the issuance of nuclear asset-recovery bonds in one or more series is granted, subject to the terms set forth in the body of this Financing Order. Duke Energy Florida, Inc. is hereby authorized to issue nuclear asset-recovery bonds secured by the pledge of nuclear asset-recovery property, in one or more series in an aggregate principal amount not to exceed the Securitizable Balance (as of the date the nuclear asset-recovery bonds are issued). The proceeds are to be used to finance the equivalent of (i) recovery of nuclear asset-recovery costs, in the form of the CR3 Regulatory Asset as determined pursuant to Docket No. 150148-EI plus (ii) recovery of the estimated upfront bond issuance costs associated with the issuance of the nuclear asset-recovery bonds plus (iii) carrying charges accruing at 6.0% per annum on the CR3 Regulatory Asset balance from December 31, 2015 through the date of issuance of the nuclear asset-recovery bonds. Upfront bond issuance costs are subject to update, adjustment and approval pursuant to the terms of this Financing Order and the Issuance Advice Letter procedures as provided by this Financing Order.

2. ORDERED that DEF is authorized to impose, bill, collect, and adjust from time to time (as described in this Order) a nuclear asset-recovery charge, to be collected on a per kWh basis from all applicable customer rate classes until the nuclear asset-recovery bonds are paid in full and all financing costs and other costs of the bonds have been recovered in full, provided that the charges may not be imposed following a date which is 20 years following the date of issuance of the nuclear asset-recovery bonds. Such nuclear asset-recovery charges shall be in amounts sufficient to guarantee the timely recovery of DEF's nuclear asset-recovery costs and financing costs (upfront and ongoing) detailed in this Financing Order (including payment of principal of and interest on the nuclear asset-recovery bonds). Although DEF might incur liability if there is a failure of its representations, warranties, or covenants in the Nuclear Asset-Recovery Property Purchase and Sale Agreement, the Nuclear Asset-Recovery Property Servicing Agreement, or the Administrative Agreement, or if DEF negligently, recklessly, or willfully fails to perform its duties under any of those agreements, this provision is not intended to establish DEF as a guarantor of payments on the nuclear asset-recovery bonds.

3. ORDERED that the creation of nuclear asset-recovery property as described in this Financing Order is approved and, upon transfer of the nuclear asset-recovery property to an SPE, shall be created, and shall consist of: (1) all rights and interests of DEF or successor or assignee of DEF under this Financing Order, including the right to impose, bill, collect, and receive nuclear asset-recovery charges authorized in this Financing Order and to obtain periodic adjustments to such charges as provided in this Financing Order, and (2) all revenues, collections, claims, rights to payments, payments, money, or proceeds arising from the rights and interests specified in clause (1), regardless of whether such revenues, collections, claims, rights to payment, payments, money, or proceeds are imposed, billed, received, collected, or maintained together with or commingled with other revenues, collections, rights to payment, payments, money, or proceeds. The creation of nuclear asset-recovery property is conditioned

upon, and shall be simultaneous with, the sale or other transfer of the nuclear asset-recovery property to an SPE and the pledge of the nuclear asset-recovery property to secure nuclear asset-recovery bonds. The nuclear asset-recovery property shall continue to exist until the nuclear asset-recovery bonds are paid in full and all financing costs and other costs of the nuclear asset-recovery bonds have been recovered in full. For the period specified in the preceding sentence, the imposition and collection of nuclear asset-recovery charges authorized in this Financing Order shall be paid by all existing and future customers receiving transmission or distribution service from DEF or its successors or assignees under Commission-approved rate schedules or under special contracts, even if the customer elects to purchase electricity from an alternative electric supplier following a fundamental change in regulation of public utilities in Florida. In the event that there is a fundamental change in the regulation of public utilities, the nuclear asset-recovery charge shall be collected in a manner that will not cause any of the then current credit ratings of the nuclear asset-recovery bonds to be suspended, withdrawn or downgraded.

4. ORDERED that prior to implementing the initial nuclear asset-recovery charges, DEF shall file tariff sheets for administrative approval, which tariff sheets will be administratively approved by Commission Staff within three (3) business days, subject to correction for any mathematical error. At Staff's request, DEF shall furnish draft tariff sheets at least five (5) business days in advance of the public offering of nuclear asset-recovery bonds.

5. ORDERED that the nuclear asset-recovery charge shall be allocated to the customer rate classes in accordance with the Petition and DEF's testimony, using the criteria set out in Section 366.06(1), Florida Statutes, in the manner in which these costs or their equivalent were allocated in the cost-of-service study filed in Docket No. 090079-EI, until altered by a subsequent rate case.

6. ORDERED that, if the issuance of nuclear asset-recovery bonds is unduly delayed, DEF is not precluded from requesting that an interim increase through the capacity cost recovery charge be initiated. Any such increase shall be discontinued when nuclear asset-recovery bonds are issued, and the amount of nuclear asset-recovery bonds issued shall be adjusted for the impact of collections of this increase.

7. ORDERED that the electric bills of DEF must explicitly reflect that a portion of the charges on such bill represents nuclear asset-recovery charges approved in this Financing Order and must include a statement to the effect that the SPE is the owner of the rights to nuclear asset-recovery charges and that DEF is acting as a servicer for that SPE. The tariff applicable to customers must indicate the nuclear asset-recovery charge and the ownership of that charge. DEF shall identify amounts owed with respect to the nuclear asset-recovery property as a separate line item on individual electric bills. The failure of DEF to comply with this paragraph shall not invalidate, impair, or affect any financing order, nuclear asset-recovery property, nuclear asset-recovery charge, or nuclear asset-recovery bonds but shall subject DEF to penalties under Section 366.095, Florida Statutes.

8. ORDERED that this Financing Order and the charges authorized hereby shall remain in effect until the nuclear asset-recovery bonds and all financing costs (including tax

liabilities) related thereto have been paid or recovered in full. This Financing Order shall remain in effect and unabated notwithstanding the reorganization, bankruptcy, or other insolvency proceedings of DEF or its successors or assignees. Any successor to DEF, whether pursuant to any reorganization, bankruptcy, or other insolvency proceeding or whether pursuant to any merger or acquisition, sale, or other business combination, or transfer by operation of law, as a result of electric utility restructuring or otherwise, shall perform and satisfy all obligations of, and have the same rights under this Financing Order as, DEF in the same manner and to the same extent as DEF, including collecting and paying to the person entitled to receive the revenues, collections, payments, or proceeds of the nuclear asset-recovery property.

9. ORDERED that the SPE issuing nuclear asset-recovery bonds is authorized, pursuant to Section 366.95(11)(c), Florida Statutes, and this Financing Order, to include the State of Florida pledge with respect to nuclear asset-recovery property and nuclear asset-recovery charges in the bonds and related documentation as provided for in Section 366.95(11)(b), Florida Statutes.

10. ORDERED that we approve the proposed Transaction Structure for the nuclear asset-recovery bonds, as set forth in the body of this Financing Order.

11. ORDERED that DEF is authorized to sell to one or more SPEs nuclear asset-recovery property.

12. ORDERED that, in accordance with the terms of this Financing Order and subject to the criteria and procedures described herein, the SPE(s) are authorized to issue nuclear asset-recovery bonds in an aggregate principal amount not to exceed the Securitizable Balance (as of the date the nuclear asset-recovery bonds are issued) and may pledge to an indenture trustee, as collateral for payment of the nuclear asset-recovery bonds, the nuclear asset-recovery property, including the SPE's right to receive the related nuclear asset-recovery charges as and when collected, the SPE's rights under the Servicing Agreement and other collateral described in the Indenture. As provided in Section 366.95(2)(c)6., Florida Statutes, DEF retains sole discretion regarding whether to assign, sell, or otherwise transfer nuclear asset-recovery property or to cause the nuclear asset-recovery bonds to be issued, including the right to defer or postpone such assignment, sale, transfer or issuance.

13. ORDERED that, pursuant to Section 366.95(3)(b), Florida Statutes, if DEF elects not to use nuclear asset-recovery bonds to finance its nuclear asset-recovery costs after the issuance of this Financing Order, such nuclear asset-recovery costs will be recoverable by DEF in an otherwise permissible fashion.

14. ORDERED that if in the event (i) the Bond Team determines that the issuance of the nuclear asset-recovery bonds would not achieve the statutory financing cost objective or (ii) the Commission will not permit issuance of the nuclear asset-recovery bonds by issuing an order to stop the transaction in accordance with the Issuance Advice Letter procedures, then DEF shall not be precluded from seeking to recover financing costs incurred and carrying costs accrued

post December 31, 2015 through the capacity cost recovery clause over a period to be determined by the Commission.

15. ORDERED that DEF shall be responsible to structure the nuclear asset-recovery bond transaction in a way that complies with the "safe harbor" provisions of IRS Revenue Procedure 2005-62.

16. ORDERED that DEF is authorized to form one or more SPEs to be structured as discussed in this Financing Order. DEF is authorized to execute one or more LLC Agreements, consistent with the terms and conditions of this Financing Order. Each SPE shall be funded with an amount of capital that is sufficient for the SPE to carry out its intended functions as contemplated in the Petition and this Financing Order. The capital contribution by DEF to the SPE shall be funded by DEF and not from the proceeds of the sale of nuclear asset-recovery bonds. DEF will be permitted to earn a rate of return on its invested capital in the SPE equal to the rate of interest payable on the longest maturing tranche of nuclear asset-recovery bonds and this return on invested capital should be a component of the Periodic Payment Requirement.

17. ORDERED that DEF is authorized to enter into one or more Nuclear Asset-Recovery Property Purchase and Sale Agreements, Administration Agreements, and Nuclear Asset-Recovery Property Servicing Agreements and other transaction documents contemplated by such agreements.

18. ORDERED that nuclear asset-recovery bonds may be issued in one or more series, each series with one or more tranches. Each SPE is authorized to enter into an Indenture, consistent with the terms and conditions of this Financing Order. Subject to compliance with the requirements of this Financing Order, DEF and each SPE shall be afforded flexibility in establishing the terms and conditions of the nuclear asset-recovery bonds, repayment schedules, term, payment dates, collateral, redemption provisions, credit enhancement, required debt service, reserves, interest rates, indices and other financing costs.

19. ORDERED that we approve the true-up adjustment process described in the body of this Financing Order and in the testimony of DEF's witnesses.

20. ORDERED that DEF or its assignee is authorized to recover the Periodic Payment Requirement and shall file with the Commission at least every six months (and at least every three months after the last scheduled payment date of the nuclear asset-recovery bonds) a True-Up Adjustment Letter as described in this Financing Order.

21. ORDERED that we hereby authorize the use of the formula-based true-up mechanism approved in the body of this Financing Order to compute and adjust from time to time the nuclear asset-recovery charge.

22. ORDERED that the true-up mechanism identified in Appendix B to this Financing Order is reasonable and shall be applied at least semi-annually (and at least quarterly after the last scheduled payment date of the nuclear asset-recovery bonds).

23. ORDERED that DEF as servicer, and any successor servicer, shall file True-Up Adjustment Letters (as described in the body of this Financing Order) at least semi-annually (and at least quarterly after the last scheduled payment date of the nuclear asset-recovery bonds) consistent with Section 366.95(2)(c)4., Florida Statutes, and as frequently as necessary as required in the Servicing Agreement.

24. ORDERED that any True-Up Adjustment Letter shall be based upon the cumulative differences, regardless of the reason, between the Periodic Payment Requirement and the actual amount of nuclear asset-recovery charge remittances to the indenture trustee for the series of nuclear asset-recovery bonds.

25. ORDERED that upon any change to customer rates and charges stemming from these procedures, DEF shall file appropriately-revised tariff sheets with this Commission, provided, however, that approval of the nuclear asset-recovery charges shall not be delayed or otherwise adversely impacted by the Commission's decision with respect to the tariff.

26. ORDERED that the method of assignment and allocation of nuclear asset-recovery charge collections set forth in the body of this Financing Order is approved.

27. ORDERED that the form of the tariff schedule as shown in Exhibit No. __ (MO-6A) [Hearing Exhibit __] is approved.

28. ORDERED that within 120 days after the issuance of nuclear asset-recovery bonds, DEF shall file with this Commission information on the actual costs of the nuclear asset-recovery bonds issuance. This Commission shall review, pursuant to Section 366.95(2)(c)5., Florida Statutes, on a reasonably comparable basis, such information to determine if such costs incurred in the issuance of the bonds resulted in the lowest overall costs that were reasonably consistent with market conditions at the time of the issuance and the terms of this Financing Order, previously defined herein as the "lowest issuance cost objective"; however, if DEF, in accordance with Ordering Paragraph 48, selects a qualified provider as a result of the request-for-proposal process for providing upfront bond issuing services, DEF will be presumed to have satisfied the lowest issuance cost objective under Section 366.95(2)(c)5. Furthermore, DEF will also be presumed to have satisfied this lowest issuance cost objective with respect to any upfront bond issuance costs that are substantiated by documentation and fall within the estimates submitted to Staff as part of the Issuance Advice Letter procedures set forth in the body of this Financing Order. If the costs do not satisfy this standard, this Commission may disallow any incremental issuance costs in excess of the lowest overall costs by requiring DEF to make a credit to the capacity cost recovery clause in an amount equal to the excess of the actual issuance costs incurred, and paid for out of nuclear asset-recovery bond proceeds, over the lowest overall issuance costs as determined by this Commission. This Commission may not make adjustments to the nuclear asset-recovery charges for any such excess issuance costs. Actual costs of the nuclear asset-recovery bonds issuance are synonymous with upfront bond issuance costs defined in this Financing Order and do not include debt service on the nuclear asset-recovery bonds or any other ongoing financing costs. DEF shall pay the fee of any Commission financial advisor (and any consultants and legal counsel) who assist the Commission in performing its

responsibilities under Section 366.95(2)(c)2. and 5., Florida Statutes, as upfront bond issuance costs, and such costs are deemed consistent with the lowest issuance cost objective.

29. ORDERED that if the actual upfront bond issuance costs are in excess of the amount appearing in the final Issuance Advice Letter filed within one business day after actual pricing of the nuclear asset-recovery bonds, the Commission authorizes DEF to collect such prudently incurred excess amounts through the capacity cost recovery clause.

30. ORDERED that the Commission authorizes DEF to enter into a Servicing Agreement with each SPE and to perform the servicing duties approved in this Financing Order. Without limiting the foregoing, in its capacity as initial servicer of the nuclear asset-recovery property, DEF is authorized to calculate, bill, collect and receive for the account of each SPE, the nuclear asset-recovery charges initially authorized in this Financing Order, as adjusted from time to time to meet the Periodic Payment Requirement as provided in this Financing Order; and to make such filings and take such other actions as are required or permitted by this Financing Order in connection with the true-ups described in this Financing Order. The servicer shall be entitled to collect servicing fees in accordance with the provisions of the Servicing Agreement, provided that (i) the annual servicing fee payable to DEF while it is serving as servicer (or to any other servicer affiliated with DEF) shall be 0.05 percent of the original principal amount of the series of nuclear asset-recovery bonds plus out-of-pocket expenses. The annual servicing fee payable to any other servicer not affiliated with DEF shall not at any time exceed 0.60 percent plus out-of-pocket expenses of the original principal amount of the series of nuclear asset-recovery bonds unless such higher rate is approved by this Commission pursuant to the following Ordering Paragraph.

31. ORDERED that upon the occurrence of an event of default under the Servicing Agreement relating to servicer's performance of its servicing functions with respect to the nuclear asset-recovery charges, the indenture trustee may, and upon the instruction of the requisite holders of the outstanding nuclear asset-recovery bonds shall, replace DEF as the servicer in accordance with the terms of the Servicing Agreement. If the servicing fee of the replacement servicer will exceed the applicable maximum servicing fee specified in the preceding Ordering Paragraphs, the replacement servicer shall not begin providing service until (i) the date this Commission approves the appointment of such replacement servicer or (ii) if this Commission does not act to either approve or disapprove the appointment, the date which is 45 days after notice of appointment of the replacement servicer is provided to the Commission.

32. ORDERED that no entity may replace DEF as the servicer in any of its servicing functions with respect to the nuclear asset-recovery charges and the nuclear asset-recovery property authorized by this Financing Order, if the replacement would cause any of the then current credit ratings of the nuclear asset-recovery bonds to be suspended, withdrawn, or downgraded.

33. ORDERED that the parties to the Nuclear Asset-Recovery Property Servicing Agreement, Administration Agreement, Indenture, and Nuclear Asset-Recovery Property

Purchase and Sale Agreement may amend the terms of such agreements solely in accordance with the terms of such agreements.

34. ORDERED that the servicer shall remit collections of the nuclear asset-recovery charges to the SPE or the indenture trustee for SPE's account on a monthly or daily basis, such basis to be determined after consultation with the rating agencies and with consultation with other members of the Bond Team, subject to the procedures set forth in Ordering Paragraph 51, and in accordance with the Servicing Agreement.

35. ORDERED that the Commission authorizes DEF to enter into an Administration Agreement with each SPE and to perform the administration duties approved in this Financing Order. DEF shall be entitled to collect administration fees and expenses in accordance with the provisions of the Administration Agreement, provided that (i) the aggregate annual administration fee payable to DEF while it is serving as administrator (or to any other administrator affiliated with DEF) for SPEs shall be $100,000 per year, payable annually in arrears, plus out-of-pocket expenses.

36. ORDERED that partial payments shall be allocated to the nuclear asset-recovery charge in the same proportion that such charge bears to the total bill.

37. ORDERED that to the extent that any interest in the nuclear asset-recovery property created by this Financing Order is assigned, sold, or transferred to an assignee, DEF shall enter into a contract with that assignee that requires DEF to continue to operate its transmission and distribution system in order to provide electric services to DEF's customers; but this provision shall not prohibit DEF from selling, assigning, or otherwise divesting its transmission and distribution systems or any part thereof so long as the entities acquiring such system agree to continue operating the facilities to provide electric service to DEF's customers.

38. ORDERED that following repayment of the nuclear asset-recovery bonds and financing costs authorized in this Financing Order and release of the funds by the indenture trustee, the SPE shall distribute the final balance of the Collection Account and DEF shall credit other electric rates and charges by a like amount, less the amount of the Capital Subaccount and any unpaid return on invested capital due to DEF as set forth in the body of this Financing Order. DEF shall similarly credit customers an aggregate amount equal to any nuclear asset-recovery charges subsequently received by the SPE or its successor in interest to the nuclear asset-recovery property.

39. ORDERED that this Commission, as represented by a designated Commissioner, designated Commission Staff, the Commission's financial advisor, and the Commission's outside legal counsel (if any), shall be actively involved in the bond issuance, subject to Ordering Paragraph 50, as part of a Bond Team that also includes DEF, its structuring advisor or underwriter(s), and its outside counsel(s), in the structuring, marketing, and pricing of each series of nuclear asset-recovery bonds. This will allow for meaningful and substantive cooperation among DEF and the Commission and its representatives to ensure that the structuring, pricing, and financing costs of the nuclear asset-recovery bonds will achieve the statutory cost objectives.

Cooperation among DEF and the Commission will promote transparency in the nuclear asset-recovery bond pricing process, thereby promoting the integrity of the issuance process.

40. ORDERED that this Commission will have the sole authority to select and retain its financial advisor and its outside legal counsel and, if needed, terminate and replace the financial advisor or outside legal counsel.

41. ORDERED that costs associated with this Commission's financial advisor and outside legal counsel, to the extent such costs are eligible for compensation and approved for payment under the terms of such party's contractual arrangements with the Commission, as such arrangements may be modified by any amendment entered into at the Commission's sole discretion, will qualify as financing costs and be paid from proceeds of nuclear asset-recovery bonds. Such costs shall be deemed consistent with the lowest issuance cost objective and be payable upon closing in immediately available funds.

42. ORDERED that this Commission's financial advisor and its outside legal counsel will assist the Commission at the Commission's sole discretion.

43. ORDERED that the members of the Bond Team shall work cooperatively to achieve the statutory cost objectives.

44. ORDERED that DEF on a timely basis shall provide to each member of the Bond Team all information such member reasonably needs to fulfill its obligations under the Financing Order.

45. ORDERED that the role of this Commission's financial advisor will include, among other things, advising the Commission and its Staff whether or not DEF's proposed structuring, marketing, pricing and financing costs of nuclear asset-recovery bonds meet all statutory requirements and the statutory cost objectives. At the direction of the Commission designee, such financial advisor may represent this Commission as an active participant in the actual pricing process in real time. The financial advisor shall promptly inform this Commission Designee or Staff of any items that, in the financial advisor's opinion, are not reasonable or are not consistent with applicable statutory requirements or the statutory cost objectives so that such concerns can be brought to the attention of DEF in real time. If required by the Commission, the financial advisor shall provide a certification to this Commission no later than 5:00 p.m. Eastern Time on the first business day after actual pricing of each series of nuclear asset-recovery bonds as to whether the structuring, pricing and financing costs of that series of nuclear asset-recovery bonds has achieved the statutory cost objectives and all other criteria established in this Financing Order.

46. ORDERED that this Commission's financial advisor shall not have any financial interest in the nuclear asset-recovery bonds nor participate in the underwriting or secondary market trading of the nuclear asset-recovery bonds. Any ongoing financing costs (i.e., costs associated with this Commission's review of the actual costs of the nuclear asset-recovery bond issuance under Section 366.95(2)(c)5., Florida Statutes) associated with this Commission's

financial advisor and with this Commission's consultants and any legal counsel that are eligible for compensation and approved for payment under the terms of such party's contract with this Commission, as such contract may be modified by any amendment entered into at this Commission's sole discretion, are deemed reasonable for purposes of recovery through the proceeds of nuclear asset-recovery bonds issued pursuant to this Financing Order.

47. ORDERED that DEF, in consultation with the other members of the Bond Team, subject to Ordering Paragraph 51, shall determine whether issuing a series of nuclear asset-recovery bonds through a negotiated sale or a competitive sale or combination thereof will achieve the statutory cost objectives.

48. ORDERED that subject to the process set forth in Ordering Paragraph 51, DEF, in consultation with the other members of the Bond Team, shall conduct a request-for-proposal process to select underwriters, trustee services and other transaction arrangements as deemed appropriate by the Bond Team other than issuer's counsel and underwriters' counsel to ensure that the processes are competitive, will provide the greatest value for customers, and will result in the selection of transaction participants that have substantial experience with this asset class.

49. ORDERED that subject to Order Paragraph 50, the Bond Team shall review the nuclear asset-recovery bond transaction documents to ensure that the transaction documents reflect the terms of this Financing Order. All legal opinions related to the nuclear asset-recovery bond transaction shall be provided to the Bond Team for review, subject to Order Paragraph 50.

50. ORDERED that (i) all contact by any party to the financing (including, without limitation, the Commission, its Staff, and its advisors) with the rating agencies, the Securities and Exchange Commission, the press, and potential nuclear asset-recovery bond investors; and (ii) the content of all offering documents shall be under the direct control of DEF and its counsel at DEF's sole discretion.

51. ORDERED that any issue requiring consultation with the Bond Team, that the Bond Team participants are unable to resolve to their mutual satisfaction should initially be presented in writing by the Bond Team participants for resolution by a designated Commissioner, subject to de novo review by the full Commission. All parties to this docket shall be provided prior notice of any matter taken in writing to the designated Commissioner and provided the opportunity for comment before the designated Commissioner. All parties shall also be provided notice of any decision reached by the designated Commissioner. Any party may seek a de novo review by the full Commission of any decision of the designated Commissioner.

52. ORDERED that, subject to Ordering Paragraph 50 the Bond Team shall have the opportunity to review the presentations to the rating agencies; provided, however, this Commission recognizes that DEF will have primary securities law liability for the transaction as well as have obligations and liabilities resulting from DEF's engagement with the rating agencies, and as such, any contact with the rating agencies in any form must be conducted under the direct control of DEF and its counsel, at DEF's sole discretion.

53. ORDERED that the Bond Team shall work on a cooperative basis to create significant competition among investors in order to ensure that the statutory cost objectives are achieved.

54. ORDERED that, subject to Ordering Paragraph 50 and subject to a possible stop order of the Commission issued no later than 5:00 p.m. Eastern time on the third business day following pricing, DEF shall be afforded flexibility in determining the final terms of each series of the nuclear asset-recovery bonds, including payment and maturity dates, interest rates (or the method of determining interest rates), the terms of any interest rate swap agreement or similar agreement (however, no pre-issuance swap or swaption or similar arrangement shall be entered into without the express approval of the Commission under separate orders), the creation and funding of any supplemental capital, reserve or other subaccount, and the issuance of nuclear asset-recovery bonds through either one SPE or multiple SPEs, except as otherwise provided in this Financing Order.

55. ORDERED that DEF shall file a combined IAL/TUAL in the form of Appendix C hereto at least two weeks prior to the expected pricing of the nuclear asset-recovery based upon the best information available at that time. Other aspects of the certifications may be modified to describe the particulars of the nuclear asset-recovery bonds and the actions that were taken during the transaction. Such draft shall include drafts of any certifications of DEF and the Commission's financial advisor, if required, to be provided in connection with the filing of the final IAL/TUAL. Such certifications may be provided to the Commission on a confidential basis. Within one week of receiving the proposed form of combined IAL/TUAL, the members of the Bond Team representing this Commission shall provide comments and recommendations to DEF regarding the adequacy of information proposed to be provided. The Commission, acting directly, or though the Commission's Staff designee, may agree to waive the proscribed time period for submission and review of the draft IAL/TUAL and any failure to provide written comments to the draft IAL/TUAL within the proscribed time period will conclusively evidence a waiver of any objections. Prior to the submission of the first draft of the IAL/TUAL and through the period ending with the issuance of the nuclear asset-recovery bonds, DEF will provide the Bond Team with timely information so that the Commission can participate fully and in advance regarding all material aspects relating to the structuring, pricing and financing costs of the nuclear asset-recovery bonds.

56. ORDERED that DEF shall file a combined IAL/TUAL in final form with the Commission within one business day after actual pricing at which time a meeting will be noticed for three business days after pricing to afford this Commission an opportunity to review the proposed transaction. As shown in the form of IAL/TUAL in Appendix C, the combined IAL/TUAL shall include the following information: the actual structure of the nuclear asset-recovery bond issuance; the expected and final maturities of the nuclear asset-recovery bonds; over-collateralization levels (if any); any other credit enhancements; revised estimates of the upfront bond issuance costs proposed to be financed from proceeds of the nuclear asset-recovery bonds and estimates of debt service and other ongoing financing costs for the first collection period and other information specific to the nuclear asset-recovery bonds. Finally, the combined IAL/TUAL shall include certifications from DEF and the Commission's financial advisor, if

required, that the structuring, pricing and financing costs of the nuclear asset-recovery bonds achieved the statutory cost objectives.

57. ORDERED that at the meeting previously noticed for the third day after pricing, the members of the Bond Team representing this Commission will present to this Commission the results of their review. If this Commission determines that all required certifications have been delivered and the transaction complies with applicable law and this Financing Order, the transaction shall proceed without any further action of this Commission. The Commission retains discretion either to allow the transaction to be completed or to issue an order to stop the transaction if the required certifications are not delivered in a form acceptable to this Commission. We will not issue an order to stop the transaction for any other reason, for example, a change in market conditions after the moment of pricing.

58. ORDERED that the degree of flexibility set forth in the "Flexibility" section of this Order is hereby approved.

59. ORDERED that the Bond Team may require each book-running underwriter of the nuclear asset-recovery bonds to deliver periodic reports to members of the Bond Team presenting indicative pricing levels derived by such book-running underwriter for the nuclear asset-recovery bonds before any public offering of the nuclear asset-recovery bonds is launched.

60. Subject to Ordering Paragraph 50, DEF, the book-running underwriters and the other members of the Bond Team will work collaboratively to develop the offering documents and to ensure a broad distribution to potential investors most likely to facilitate achievement of the statutory financing cost objective.

61. ORDERED that, if the Commission does not, prior to 5:00 p.m. Eastern Time on the third business day after pricing, issue an order finding that the proposed issuance does not comply with the terms of this Financing Order and applicable law, this Commission, without the need for further action and pursuant to our authority under this Financing Order, will affirmatively and conclusively be deemed to have (i) authorized DEF and SPE to execute the issuance of the proposed series of nuclear asset-recovery bonds on the terms set forth in the Issuance Advice Letter, and (ii) approved DEF's recovery of the upfront bond issuance costs proposed to be financed from the proceeds of the nuclear asset-recovery bonds subject to review pursuant to Section 366.95(2)(c)5., Florida Statutes.

62. ORDERED that the servicing and administration fees collected by DEF, or any affiliate of DEF, acting as either the servicer or the administrator under the Servicing Agreement or Administration Agreement, respectively, will be included in DEF's cost of service. The expenses incurred by DEF or such affiliate to perform obligations under the Servicing Agreement or Administration Agreement not otherwise recovered through the nuclear asset-recovery charges will likewise be included in DEF's cost of service.

63. ORDERED that this Commission guarantees that it will act pursuant to this Financing Order as expressly authorized by Section 366.95(2)(c)2.d. and 4., Florida Statutes, to

ensure that nuclear asset-recovery charge revenues are sufficient to pay principal of and interest on the nuclear asset-recovery bonds issued pursuant to this Financing Order and ongoing financing costs.

64. ORDERED that, except as set forth in this Financing Order, all regulatory approvals within the jurisdiction of this Commission that are necessary for the securitization of the nuclear asset-recovery charges associated with the nuclear asset-recovery property and other financing costs that are the subject of the Petition are granted. This Financing Order constitutes a legal financing order for DEF under Section 366.95, Florida Statutes. This Financing Order complies with Section 366.95(2)(c)1., Florida Statutes. A financing order gives rise to rights, interests, obligations, and duties as expressed in Section 366.95, Florida Statutes. It is this Commission's express intent to give rise to those rights, interests, obligations, and duties by issuing this Financing Order.

65. ORDERED that, if DEF proceeds pursuant to this Financing Order, DEF and any other servicer of nuclear asset-recovery bonds authorized hereby are permitted to take all actions as are required to effectuate the transactions approved in this Financing Order, subject to the compliance with Section 366.95, Florida Statutes, and with this Financing Order.

66. ORDERED that this Financing Order is a final order, any appeal of which is to be conducted pursuant to Section 366.95(2)(e), Florida Statutes. The finality of this Financing Order is not impacted, in any manner, by the actions or inactions taken by the Commission with respect to any other matters considered in this proceeding. Should any other order entered in this proceeding, if appealed to the courts, not be upheld in full on appeal, such judicial ruling will in no event impact or modify the finality or effectiveness of this Financing Order.

67. ORDERED that this docket shall remain open through completion of this Commission's review of the actual costs of the nuclear asset-recovery bond issuance conducted pursuant to Section 366.95(2)(c)5., Florida Statutes.

By ORDER of the Florida Public Service Commission this ___ day of _____, 2015.

_____
_____
_____
_____

(SEAL)

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 Office of Commission Clerk, 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 by filing a notice of appeal with the Office of Commission Clerk, 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, and Section 366.95(2)(e), Florida Statutes. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

APPENDIX A

SUMMARY OF CALCULATION OF DEF'S SECURITIZABLE BALANCE

Estimated CR3 Regulatory Asset, including carrying charges through 12/31/15	$1,298,000,000
Estimated carrying costs subsequent to 12/31/15 through bond issuance date	TBD
Estimated upfront bond issuance costs	13,800,000
Estimated Principal Amount of Nuclear-Asset Recovery Bonds	$1,311,800,000

APPENDIX B

DUKE ENERGY FLORIDA
Nuclear Asset-Recovery Charge True-Up Mechanism Form
For the period , 20 through 20,

	Description		Calculation of the True-up (1)		Projected Revenue Requirement to be Billed and Collected (2)		Revenue Requirement for Projected Remittance Period (1)+(2)=(3)
1	**Nuclear Asset-Recovery Bond Repayment Charge (remitted to SPE)**						
2							
3	True-up for the Prior Remittance Period Beginning __ and Ending__:						
4	Prior Remittance Period Revenue Requirements						
5	Prior Remittance Period Actual Cash Receipt Transfers Interest income:						
6	Cash Receipts Transferred to the SPE						
7	Interest income on Subaccounts at the SPE						
8	Total Current Period Actual Daily Cash Receipts Transfers and Interest Income (Line 6 + 7)		-				
9	(Over)/Under Collections of Prior Remittance Period Requirements (Line 4+8)		-				
10	Cash in Excess Funds Subaccount		-				
11	Cumulative (Over)/Under Collections through Prior Remittance Period (Line 9+10)		$ -				$ -
12							
13							
14	Current Remittance Period Beginning _____ and Ending _____						
15	Principal						
16	Interest						
17	Servicing Costs						
18	Other On-Going Costs						
19	Total Current Remittance Period Revenue Requirement (Line 15+16+17+18)		$ -				
20							
21	Current Remittance Period Cash Receipt Transfers and Interest Income:						
22	Cash Receipts Transferred to SPE	(A)		(B)			
23	Interest Income on Subaccounts at SPE	(A)		(B)			
24	Total Current Remittance Period Cash Receipt Transfers and Interest Income (Line 22+23)		$ -		$ -		
25	Estimated Current Remittance Period (Over)/Under Collection (Line 19+24)		$ -		$ -		$ -
26							
27							
28	Projected Remittance Period Beginning _____ and Ending _____						
29	Principal						
30	Interest						
31	Servicing Costs						
32	Other On-Going Costs						
33	Projected Remittance Period Revenue Requirement (Line 29+30+31+32)				$ -		$ -
34							
35	Total Revenue Requirements to be Billed During Projected Remittance Period (Line 11+25+33)						$ -
36	Forecasted KWh Sales for the Projected Remittance Period (adjusted for uncollectibles)						
37	Average Retail Nuclear Asset-Recovery Charge per kWh (Line 35/36)					(C)	0
38							
39							
40							
41	Notes:						
42	(A) Amounts are based on a billed and collected basis.						
43	(B) Includes estimated amounts for ___ through ___.						
44	(C) Allocation of this amount to each rate class is addressed by Ms. Olivier in her testimony.						

APPENDIX C

DUKE ENERGY FLORIDA

Form of Issuance Advice Letter and True-Up Adjustment Letter

[Letterhead of Duke Energy Florida, Inc.]

[, 20]

[ ]
Office of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Duke Energy Florida's Petition for Issuance of a Nuclear Asset-Recovery Financing Order; Docket
No. [ ]; Issuance Advice Letter and Form of True-Up Adjustment Letter

Dear [ ]:

Pursuant to the financing order in the above-captioned Docket ("Financing Order"), Duke Energy Florida, Inc. (the "Company") hereby transmits for filing this combined Issuance Advice Letter and Form of True-Up Adjustment Letter. Any terms not defined herein shall have the meanings ascribed thereto in the Financing Order or Section 366.95, Florida Statutes.

In the Financing Order, the Commission requires the Company to file a combined Issuance Advice Letter and Form of True-Up Adjustment Letter following pricing of a series of Nuclear Asset-Recovery Bonds.

The terms of pricing and issuance of the first series of Nuclear Asset-Recovery Bonds are as follows:

Name of Nuclear Asset-Recovery Bonds: Senior Secured Bonds, Series [ ]
Name of SPE: [DEF SPE] LLC
Name of Trustee: The Bank of New York Mellon
Expected Closing Date: [ ]
Preliminary Bond Ratings: Moody's, [Aaa]; Standard & Poor's, [AAA]; [Fitch, AAA] (final ratings to be received prior to closing)
Total Principal Amount of Nuclear Asset-Recovery Bonds to be Issued (i.e., Amount of Nuclear Asset-Recovery Costs and Up-Front Bond Issuance Costs to be Financed):
$[ ] (See Attachment 1)
Estimated Up-Front Bond Issuance Costs: $[ ] (See Attachment 2)
Interest Rates and Expected Amortization Schedule: (See Attachment 3)
Distributions to Investors: Semiannually

Weighted Average Coupon Rate[1]: [ ]%
Annualized Weighted Average Yield[2]: [ ]%
Initial Balance of Capital Subaccount: $[ ]
Estimated/Actual Ongoing Costs for first year of Nuclear Asset-Recovery Bonds: $[ ] (See Attachment 4)

The initial Nuclear Asset-Recovery Repayment Charge (the "Initial Charge") has been calculated in accordance with the methodology described in the Financing Order and based upon the structuring and pricing terms of the Nuclear Asset-Recovery Bonds set forth in this combined Issuance Advice Letter and Form of True-Up Adjustment Letter.

Attachment 5 provides the Revenue Requirements for calculating the Initial Charge. Attachment 6 calculates the Initial Charge based upon the cost allocation formula approved in the Financing Order. Attachment 7 provides the estimated savings to customers when compared to the traditional method of cost recovery. Also attached are the calculations and supporting data for such tables. The Company's certification is Attachment 8.

Pursuant to the Financing Order, the transaction may proceed and the Initial Charge will take effect unless [**a stop order is issued by the Commission at the Internal Affairs meeting to be held [, 20] (3 days after pricing)**]; and the Company, as servicer, or any successor servicer and on behalf of the trustee as assignee of the SPE, is required to apply at least semiannually for mandatory periodic adjustment to the Nuclear Asset-Recovery Repayment Charges. The Initial Charge shall remain in effect until changed in accordance with the provisions of finding of fact [ ] of the Financing Order.

The Company's certification required by the Financing Order is set forth on Attachment 8, which also includes the statement of the actions taken by the Bond Team as required by finding of fact [ ] of the Financing Order.

Respectfully submitted,

Duke Energy Florida, Inc.

By:_____

[1] Weighted by modified duration and principal amount of each class.
[2] Weighted by modified duration and principal amount, calculated including selling commissions.

Attachment 1

TOTAL PRINCIPAL AMOUNT OF NUCLEAR ASSET-RECOVERY BONDS TO BE ISSUED (TOTAL AMOUNT OF NUCLEAR ASSET-RECOVERY COSTS AND UP-FRONT BOND ISSUANCE COSTS TO BE FINANCED)

CR3 Regulatory Asset, as of December 31, 2015	$
Carry charges on the CR3 Regulatory Asset, subsequent to December 31, 2015	
Estimated Up-front Bond Issuance Costs (refer to attachment 2)	$
Total Costs Subject to Nuclear Asset-Recovery Financing	$
Total Nuclear Asset-Recovery Bond Issuance (rounded up)	**$**

Attachment 2[1]

ESTIMATED UP-FRONT BOND ISSUANCE COSTS

Underwriters' Fees and Expenses	$
Servicer Set-up Fee (including Information Technology Programming Costs)	$
Legal Fees	$
Rating Agency Fees	$
Commission's Financial Advisor Fees	$
Auditors Fees	$
DEF Structuring Advisor Fee	$
SEC Fees	$
SPE Set-up Fee	$
Marketing and Miscellaneous Fees and Expenses	$
Printing / Edgarizing Expenses	$
Trustee/Trustee Counsel Fee and Expenses	$
Original Issue Discount	$
Other Ancillary Agreements	$
TOTAL ESTIMATED UP-FRONT BOND ISSUANCE COSTS	**$**

[1] Pursuant to Section 366.95(2)(c)5. and the Financing Order, the Company is required to file with the Commission the actual Up-Front Bond Issuance Costs within 120 days of the Closing Date. The Commission may not make adjustments to the Nuclear Asset-Recovery Charges for any such excess Up-Front Bond Issuance Costs.

Attachment 3
EXPECTED AMORTIZATION SCHEDULE

A. General Terms

Tranche	Price	Coupon	Fixed/ Floating	Average Life	Expected Final Maturity	Legal Final Maturity

B. Scheduled Amortization Requirement

Series [ ], Tranche [A-1]					
Payment Date	Beginning Principal Balance	Interest	Principal	Total Payment	Ending Principal Balance

Series [ ], Tranche [A-2]					
Payment Date	Beginning Principal Balance	Interest	Principal	Total Payment	Ending Principal Balance

Attachment 4
ESTIMATED ANNUAL ONGOING FINANCING COSTS

	Annual Amount
Servicing Fee[1]	$
Return on Invested Capital	$
Administration Fee	$
Auditor Fees	$
Regulatory Assessment Fees	$
Legal Fees	$
Rating Agency Surveillance Fees	$
Trustee Fees	$
Independent Manager Fees	$
Miscellaneous Fees and Expenses	$
TOTAL ESTIMATED ANNUAL ONGOING FINANCING COSTS	$

[1] Low end of the range assumes DEF is the servicer (0.05%). Upper end of the range reflects an alternative servicer (0.60%)

Attachment 5
REVENUE REQUIREMENT AND INPUT VALUES

Initial Payment Period from [, 20]to [, 20]	**Bond Repayment**	**Total**
Forecasted retail kWh sales		
Percent of billed amounts expected to be charged-off		%
Forecasted % of billings paid in the applicable period		%
Forecasted retail kWh sales billed and collected		
Nuclear Asset-Recovery Bond principal payment	$	$
Nuclear Asset-Recovery Bond interest payment	$	$
Forecasted ongoing financing costs (excluding principal and interest)	$	$
Total collection requirement for applicable period	$	$

Attachment 6

Rate Class	(1) 12CP & 1/13 AD Allocation Factors (%)	(2) Revenue Requirement $	(3) Effective kWh @ Secondary Level (000)	(4) Nuclear Asset-Recovery Charge Before Gross-ups (c/Kwh)	(5) Gross-up for Uncollectibe Accounts[1] %	(6) Gross-up for Regulatory Assessment Fee %	(7) Nuclear Asset-Recovery Charge (c/Kwh)
Residential							
RS-1, RST-1, RSL-1, RSL-2, RSS-1							
Secondary	60.859%	$61,562,710	19,495,155	0.316	0.284%	0.072%	0.317
General Service Non-Demand							
GS-1, GST-1							
Secondary			1,575,864	0.255	0.284%	0.072%	0.256
Primary			8,616	0.252	0.284%	0.072%	0.253
Transmission			3,564	0.250	0.284%	0.072%	0.251
TOTAL GS	4.010%	$4,056,685	1,588,044				
General Service							
GS-2 Secondary	0.284%	$287,695	165,610	0.174	0.284%	0.072%	0.175
General Service Demand							
GSD-1, GSDT-1, SS-1							
Secondary			12,013,676	0.218	0.284%	0.072%	0.219
Primary			2,384,319	0.216	0.284%	0.072%	0.217
Transmission			10,895	0.214	0.284%	0.072%	0.214
TOTAL GSD	30.991%	$31,349,736	14,408,890				
Curtailable							
CS-1, CST-1, CS-2, CST-2, CS-3, CST-3, SS-3							
Secondary			-	0.148	0.284%	0.072%	0.149
Primary			121,778	0.147	0.284%	0.072%	0.147
Transmission			-	0.145	0.284%	0.072%	0.146
TOTAL CS	0.178%	$180,385	121,778				
Interruptible							
IS-1, IST-1, IS-2, IST-2, SS-2							
Secondary			89,382	0.178	0.284%	0.072%	0.179
Primary			1,588,841	0.176	0.284%	0.072%	0.177
Transmission			316,913	0.174	0.284%	0.072%	0.175
TOTAL IS	3.504%	$3,544,468	1,995,136				
Lighting							
LS-1 Secondary	0.173%	$174,966	385,378	0.045	0.284%	0.072%	0.045
Total	100.000%	$101,156,644	38,159,991	0.265	0.284%	0.072%	0.266

[1] Uncollectible accounts percentage was approved in Order No. PSC-10-0131-FOF-EI

Attachment 7
ESTIMATED SAVINGS

Based on current market conditions, the total estimated cumulative revenue requirement would be $790 million lower, on an undiscounted basis, than the total estimated cumulative revenue requirement under the traditional recovery method the Company is entitled to recover under the Revised and Restated Stipulation and Settlement Agreement approved by the Commission pursuant to its order (No. PSC-13-0598-FOF-EI) issued on November 13, 2013, detail for which is shown in the table below.

[Workpapers to be attached]

Attachment 8
Form of Company Certification

[Letterhead of Duke Energy Florida, Inc.]

[, 20]

TO: Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Attachment 8; Company Certification

Duke Energy Florida, Inc. (the "Company") submits this Certification pursuant to an ordering paragraph of the Financing Order on page [ ] in *Petition for issuance of a nuclear asset-recovery financing order by Duke Energy Florida, Inc.,* Docket No. [ ] (the "Financing Order"). All capitalized terms not defined in this letter shall have the meanings ascribed to them in the Financing Order.

In its issuance advice and form of true-up adjustment letter dated [, 20], the Company has set forth the following particulars of the Nuclear Asset-Recovery Bonds:

Name of Nuclear Asset-Recovery Bonds: Senior Secured Bonds, Series [ ]
Name of SPE: [DEF SPE] LLC
Name of Trustee: The Bank of New York Mellon
Expected Closing Date: [, 20]
Preliminary Bond Ratings: Moody's [Aaa]; Standard & Poor's [AAA]; [Fitch AAA] (final ratings to be received prior to closing)
Total Principal Amount of Nuclear Asset-Recovery Bonds to be Issued: $ (See Attachment 1)
Estimated Up-Front Bond Issuance Costs: $ (See Attachment 2)
Interest Rates and Expected Amortization Schedule: (See Attachment 3)
Distributions to Investors: Semiannually
Weighted Average Coupon Rate[1]: %
Annualized Weighted Average Yield[2]: %
Initial Balance of Capital Subaccount: $
Estimated/Actual Financing Ongoing Costs for first year of Nuclear Asset-Recovery Bonds: $[ ]

As required by the Financing Order, a Bond Team comprised of representatives of the Company, the Commission and their designated advisors and legal counsel was established to ensure that the structuring, pricing and financing costs of the nuclear asset-recovery bonds have a significant

[1] Weighted by modified duration and principal amount of each class.
[2] Weighted by modified duration and principal amount, calculated including selling commissions.

likelihood of resulting in lower overall costs or would avoid or significantly mitigate rate impacts to customers as compared with the traditional method of cost recovery.

Beginning in [ ] of 2015, the Bond Team began meeting to address the details of the nuclear asset-recovery bond issuance in accordance with the terms of the Commission's Financing Order. [**ADD DESCRIPTION OF BOND TEAM MEETINGS**]

In accordance with the procedures set forth in the Financing Order, the following actions were taken by the Bond Team in connection with the structuring, pricing and financing costs of the nuclear asset-recovery bonds in order to satisfy the statutory cost objectives:

- [include relevant actions]

Based upon information known or reasonably available to the Company, its officers, agents and employees: (i) the structuring, pricing and financing costs of the nuclear asset-recovery bonds and the imposition of the proposed nuclear asset-recovery charges have a significant likelihood of resulting in lower overall costs or significantly mitigate rate impacts to customers as compared with the traditional method of financing and recovering nuclear asset-recovery costs and (ii) on a reasonably comparable basis, the costs incurred in the issuance of the nuclear asset-recovery bonds resulted in the lowest overall costs that were reasonably consistent with market conditions at the time of the issuance and the terms of the financing order.

This certification is being provided to the Commission by the Company in accordance with the terms of the Financing Order, and no one other than the Commission shall be entitled to rely on the certification provided herein for any purpose.

Duke Energy Florida, Inc.

By:_____
Name:
Title:

[Form of Standard True-Up Letter]

[name]
[Title]
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Nuclear Asset-Recovery Costs Financing Order; Docket No. [ ]:

Dear [_____]:

Pursuant to Order No. [ ], known as the "Financing Order", Duke Energy Florida, Inc. (DEF) as Servicer of the [Senior Secured Nuclear Asset-Recovery Bonds, Series A] ("nuclear asset-recovery bonds" has filed a request for an adjustment to the nuclear asset-recovery bond charges ("nuclear asset-recovery charges"). This adjustment is intended to satisfy the requirements of Section 366.95(2)(c)2.d., Florida Statutes, and the Financing Order by ensuring that the nuclear asset-recovery charges will recover amounts sufficient to timely provide for payments of debt service and other required amounts in connection with the nuclear asset-recovery bonds.

Per paragraph of [ ] the Financing Order, "After issuance of nuclear asset-recovery bonds, the servicer will submit not less often than every six months (and at least quarterly after the last scheduled payment date of the nuclear asset-recovery bonds) a petition or a letter for our staffs review, as described in Section 366.95(2)(c)4., Florida Statutes, and in the form attached as an exhibit to the Servicing Agreement (a 'True-Up Adjustment Letter')." The nuclear asset-recovery bonds were issued on [, 20]. DEF filed its first True-Up Adjustment Letter on [, 20].

Paragraph [ ] of the Financing Order describes how such True-Up Adjustment Letters are to be handled.

> Consistent with Section 366.95(2)(c)4., Florida Statutes, our staff, upon the filing of a True-Up Adjustment Letter made pursuant to the Financing Order, will either administratively approve the requested true-up calculation in writing or inform the servicer of any mathematical errors in its calculation as expeditiously as possible but no later than 60 days following the servicer's true-up filing. Notification and correction of any mathematical errors shall be made so that the true-up is implemented within 60 days of the servicer's true-up filing. If no action is taken within 60 days of the true-up filing, the true-up calculation shall be deemed approved. Upon administrative approval or the passage of 60 days without notification of a mathematical error, no further action of this Commission will be required prior to implementation of the true-up.

DEF's True-Up Adjustment Letter and its accompanying [ ] pages of supporting schedules were reviewed by staff. Based on this review, no mathematical errors were found.

Attached is our [TBD] Revised Sheet No. 6.105 in legislative format.

Per DEF's request in its True-Up Adjustment Letter and in accordance with the Financing Order, the proposed adjustments to the nuclear asset-recovery charges will be effective on [, 20].

Respectfully submitted,
DUKE ENERGY FLORIDA, INC.

By: _____
Name: _____
Title: _____

Attachments

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Duke Energy Florida, Inc. For Issuance of a Nuclear Asset-Recovery Financing Order	Docket No._____
	Submitted for Filing July 27, 2015

DIRECT TESTIMONY OF BRYAN BUCKLER

ON BEHALF OF
DUKE ENERGY FLORIDA, INC.

IN RE: PETITION FOR ISSUANCE OF NUCLEAR ASSET-RECOVERY FINANCING ORDER

BY DUKE ENERGY FLORIDA, INC.

FPSC DOCKET NO. _____

DIRECT TESTIMONY OF BRYAN BUCKLER

I. INTRODUCTION AND QUALIFICATIONS.

Q. Please state your name and business address.

A. My name is Bryan Buckler. My current business address is 550 South Tryon Street, Charlotte, North Carolina 28202.

Q. By whom are you employed and what are your responsibilities?

A. I am employed by Duke Energy Business Services, LLC, a service company affiliate of Duke Energy Florida, Inc. ("Duke Energy Florida," "Petitioner," or the "Company") and a subsidiary of Duke Energy Corporation, as Director of Corporate Finance and Assistant Treasurer. I am responsible for financing the operations of Duke Energy and its subsidiary utilities. This includes the issuance of new debt and equity securities, and obtaining other sources of external funds. My responsibilities also include financial risk management of interest rate exposure for Duke Energy and its subsidiary utilities.

Additionally, I manage Duke Energy's relationships with commercial banks and the debt capital markets.

Q. Please summarize your educational background and professional experience.

A. I have a Bachelor of Business Administration degree with a major in Accounting from the University of Georgia. Following graduation in 1995, I began my career at Ernst & Young in Atlanta, Georgia. I am a Certified Public Accountant in the State of Georgia. I worked eleven years at Ernst & Young, focusing on audits of GAAP and SEC-compliant financial statements and the performance of due diligence procedures over mergers and acquisitions. In 2006, I joined Duke Energy as a Director in the Corporate Accounting Research Group where I was responsible for assessing the appropriate accounting and disclosure treatment for significant non-routine matters as well as certain regulatory accounting interpretations. In February 2008, I was promoted to General Manager of the Corporate Accounting Research Group and led that group from 2008 until July 2012. In July 2012, I transferred to Duke Energy's Treasury Department and assumed my current role as Director of Corporate Finance and Assistant Treasurer.

Q. Are you sponsoring an exhibit in this case?

A. Yes. I am sponsoring:

- Exhibit No. ___ (BB-1), estimated up-front bond issuance and ongoing financing costs for nuclear asset-recovery bonds; and
- Exhibit No. ___ (BB-2a), Form of Nuclear Asset-Recovery Property Purchase and Sale Agreement;

- Exhibit No. ___ (BB-2b), Form of Nuclear Asset-Recovery Property Servicing Agreement;
- Exhibit No. ___ (BB-2c), Form of Indenture;
- Exhibit No. ___ (BB-2d), Form of Administration Agreement; and
- Exhibit No. ___ (BB-2e), Form of Amended and Restated LLC Agreement.

Each of these exhibits was prepared under my direction and control, and to the best of my knowledge all factual matters contained therein are true and accurate.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to: (i) present and evaluate DEF's proposal to use nuclear asset-recovery bonds to finance nuclear asset-recovery costs; (ii) support the Petition for Financing Order (the "Petition") requesting approval of the proposed issuance of nuclear asset-recovery bonds, which is DEF's recommendation requested in this proceeding; (iii) provide an overview of DEF's proposed securitization transaction based on utility securitization bond transaction norms; and (iv) provide an estimate of financing costs, both upfront and ongoing.

Q. Please identify the other DEF witnesses and summarize the purpose of their testimonies filed on DEF's behalf in this proceeding.

A. Following is a list of the other witnesses who have submitted testimony on behalf of DEF and a brief description of the general subject matter addressed by each witness:

- Michael Covington, employed by Duke Energy Business Services, Inc., an affiliate of Duke Energy Florida, as the Director of Midwest and Florida Accounting – Proposal

for a detailed framework for the true-up mechanism and the accounting entries for nuclear asset-recovery financing;

- Patrick Collins, Executive Director in Global Capital Markets at Morgan Stanley & Co. LLC ("Morgan Stanley" or "Structuring Advisor") – Overview of the utility securitization market; description of DEF's proposed transaction; explanation of the collection and remittance process; discussion of key elements of the financing order; description of the rating agency process; description of the marketing process; discussion of certain securities law liabilities applicable to utility securitization as well as developments in securities law that might affect the nuclear asset-recovery bonds; and an explanation of the issuance advice letter process; and
- Marcia Olivier, employed by Duke Energy Business Services, Inc., an affiliate of Duke Energy Florida, as Director of Rates and Regulatory Planning for Florida – Identification of nuclear asset-recovery costs; calculation of revenue requirements under the traditional method of recovery; calculation of the nuclear asset-recovery charge by rate class; discussion of how the nuclear asset-recovery charge mitigates rate impacts as compared to the traditional method of recovery; and presentation of proposed tariff sheets.

II. SECURITIZATION RECOMMENDATION

Q. Please describe DEF's request to finance DEF's nuclear asset-recovery costs with nuclear asset-recovery bonds.

A. DEF proposes that the Commission approve the issuance of nuclear asset-recovery bonds to finance DEF's nuclear asset-recovery costs. The proceeds from the nuclear asset-recovery bond issuance would be used to relieve DEF's CR3 Regulatory Asset balance

including accrued carrying charges (as of the date the nuclear asset-recovery bonds are issued) and pay upfront bond issuance costs. The amortization of the bonds would be structured to provide an annual revenue requirement (including recovery of ongoing financing costs) of approximately $101.2 million over the scheduled final term of approximately 18 years (with a final legal maturity of approximately 20 years, as discussed in the testimony of Patrick Collins, for a maximum total recovery period not to exceed 20 years) based on market conditions as of June 30, 2015. This annual revenue requirement estimate excludes any accrued carrying charges on the CR3 Regulatory Asset subsequent to December 31, 2015 and excludes incremental upfront financing costs and ongoing financing costs that may be incurred above DEF's current estimate of upfront financing costs and ongoing financing costs, if applicable. Customers will be billed on a kWh basis beginning with the first billing cycle of the month following the issuance of the nuclear asset-recovery bonds.

Q. Is the proposed recovery period for the nuclear asset-recovery bonds consistent with the requirements of the statute?

A. Yes. The statute requires that the Commission must specify the period over which the nuclear asset-recovery costs may be recovered. The statute also requires that any such determination as to the overall time period for cost recovery must be consistent with the Revised and Restated Settlement and Stipulation Agreement or "RRSSA." Section 5g of the RRSSA, states, "The CR3 Regulatory Asset recovery factor shall cease no later than the last billing cycle for the 240th month from inception of the recovery of the CR3 Regulatory Asset." Section 5h of the RRSSA states, "The Parties intend that retail base rate recovery for the CR3 Regulatory Asset shall continue for 240 months from its

inception." DEF proposes that the SPE issue nuclear asset-recovery bonds with a scheduled final payment date of approximately 18-years and a legal final maturity date not to exceed 20-years, in each case from the date of issuance of the bonds.

As discussed in Mr. Collins' testimony, the scheduled final maturity of the nuclear asset-recovery bonds represents the date at which the final payment is expected to be made, but no legal obligation exists to retire the class in full by that date. The legal final maturity is the date by which the bond principal must be paid or a default will be declared. The proposed preliminary structure for this transaction utilizes a legal maturity that is approximately 24 months longer than the scheduled maturity for the single bond class. The difference between the scheduled final maturity and legal final maturity provides additional credit protection by allowing shortfalls in principal payments to be recovered over this additional time period due to any unforeseen circumstance. As such, this gap between the two maturity dates, or "cushion," is a benefit to the structure and is a contributing factor to achieving a "AAA" rating, helping to lower the cost of funds on the bonds and therefore benefitting customers. Thus, the proposed scheduled final term of approximately 18 years also is consistent with the statutorily required Commission determination that the proposed structuring, expected pricing, and financing costs of the nuclear asset-recovery bonds will have a significant likelihood of resulting in lower overall costs or would significantly mitigate rate impacts to customers as compared with the traditional method of financing and recovering nuclear asset-recovery costs.

This gap between the two maturity dates will be driven by rating agency concerns. To that effect, the period of time between the two dates could potentially be shortened to one year, but that will not be known until the ratings process is complete and it will

depend on a number of factors, including the size of the service territory and the length of the latest scheduled maturity date, among other factors. Accordingly, the Company proposes a scheduled final term of approximately 18 to 19 years, with a final legal maturity not to exceed 20 years.

Q. Please detail the amounts DEF is seeking approval to finance through the issuance of nuclear asset-recovery bonds.

A. DEF proposes to finance with the issuance of nuclear asset-recovery bonds the cost components included in DEF's CR3 Regulatory Asset which were outlined in DEF's May 22, 2015 petition and testimonies in Docket 150148-EI, accrued carrying charges from December 31, 2015 through the date of the bond issuance, and upfront bond issuance costs. Ms. Olivier's testimony provides further details on the calculation of the CR3 Regulatory Asset balance and the accrued carrying charges. My testimony will address the estimated upfront bond issuance costs and ongoing financing costs.

Q. What amount of nuclear asset-recovery bonds would be required to finance the amounts described above?

A. The Company anticipates the issuance of approximately $1,312 million in nuclear asset-recovery bonds which is comprised of DEF's estimated CR3 Regulatory Asset balance (as of December 31, 2015) of $1,298 million plus estimated upfront bond issuance costs of approximately $14 million. Upfront bond issuance costs are described in more detail later in my testimony. The amounts above do not include carrying charges on the CR3 Regulatory Asset after December 31, 2015 or any upfront bond issuance costs that may be incurred above DEF's current estimate of upfront bond issuance costs; however, these

amounts, if applicable, will be added to and included in the nuclear asset-recovery costs to be securitized.

Q. What would be the impact to customers if the Commission approves DEF's securitization proposal?

A. The proposed residential rate increase of $5.01 per 1,000 kWh for the CR3 Regulatory Asset revenue requirement under the traditional method of recovery, as further explained below and in Ms. Olivier's testimony, would be replaced with the nuclear asset-recovery charge, which under current market conditions would provide an estimated initial charge of approximately $3.17 per month for a typical 1,000 kWh residential bill for approximately 18 years. The actual average retail charge per kWh will vary based on changes in customer growth and usage projections as well as changes in market interest rates and the proposed bond structure, as well as for changes in the regulatory asset that could occur for items such as accrued carrying charges on the CR3 Regulatory Asset balance after December 31, 2015 that may occur between now and the issuance date of the bonds. The total cumulative revenue requirement under the traditional method of recovery, as shown in Ms. Olivier's testimony, is $2,560 million, based on a twenty year recovery period. By contrast, the resultant estimated cumulative revenue requirement amount over the total period of outstanding bonds is $1,770 million (based on a bond structure with a scheduled final term of approximately 18 years with a final legal maturity of approximately 20 years), based on market conditions that existed as of June 30, 2015. The difference in total cumulative revenue requirements is $790 million.

Q. Please detail how bond proceeds would be used.

A. Bond proceeds must first be used to pay upfront bond issuance costs associated with the bond financing. Proceeds would next be used to reimburse the Company for the CR3 Regulatory Asset balance plus the accrued carrying charges.

Q. What if the Commission issues a financing order, but there is a delay in actually implementing the financing or the financing does not occur?

A. Subsequent to December 31, 2015, DEF will continue to accrue the carrying charges until the bonds are issued. Any delays will result in higher accrued carrying charges and an ultimately higher bond issuance amount. If the financing does not occur, DEF requests to implement the traditional method of recovering the CR3 Regulatory Asset, including the accrued carrying costs that were the result of delay in the start of recovery.

III. TRADITIONAL METHOD OF RECOVERY

Q. Please explain the use of the traditional method of recovering the CR3 Regulatory Asset if DEF decides to not issue the nuclear asset-recovery bonds or if the Commission does not approve a financing order for the issuance of nuclear asset-recovery bonds?

A. The traditional method of recovery of the nuclear asset-recovery costs is addressed in Ms. Olivier's testimony. If DEF decides to not issue the nuclear asset-recovery bonds or if the Commission determines that the nuclear asset-recovery costs should not be securitized and instead should be recovered through the traditional means, DEF requests implementation of the base rate increase to begin recovering the CR3 Regulatory Asset as requested in DEF's May 22, 2015 petition filed in Docket No. 150148-EI plus the

accrued carrying costs that were the result of delays in beginning the recovery of the CR3 Regulatory Asset due to the pursuit of the issuance of nuclear asset-recovery bonds.

Q. What would be the impact to customers if the DEF's traditional method of recovery is utilized?

A. DEF's traditional method of recovery would result in an initial monthly charge of $5.01 for a typical 1,000 kWh residential customer bill. The total cumulative revenue requirement under the traditional method of recovery is estimated at $2,560 million. The revenue requirements associated with the traditional method of recovery and the customer rate impacts related to the charge are provided in Ms. Olivier's testimony.

IV. POLICY ISSUES

Q. Did the passage of Section 366.95, Florida Statutes, which provides for the issuance of nuclear asset-recovery bonds alter the current framework for nuclear asset cost recovery?

A. No. Section 366.95, Florida Statutes, simply provides the Commission with an additional option for recovery of nuclear asset-recovery costs. Under Section 366.95, Florida Statutes, recovery of nuclear asset-recovery costs would be achieved through the issuance of nuclear asset-recovery bonds which are repaid by customers through a nonbypassable charge.

V. COMPARISON OF SECURITIZATION TO THE TRADITIONAL METHOD

Q. What are the comparative benefits of securitization relative to the traditional method of recovery?

A. As provided in Ms. Olivier's testimony, the initial monthly charge associated with the issuance of nuclear asset-recovery bonds in DEF's securitization recommendation is estimated to be $3.17 for a typical (1,000 kWh) residential bill, and the resulting estimated cumulative revenue requirement amount over the total period of outstanding bonds is $1,770 million (based on a bond structure with a scheduled final term of approximately 18 years with a final legal maturity of approximately 20 years), based on market conditions that existed as of June 30, 2015. DEF's traditional method of recovery, which provides for recovery over a 20-year period, would have an initial monthly customer impact of $5.01 for a typical (1,000 kWh) residential bill, and a total revenue requirement over a 20 year recovery period of approximately $2,560 million, as discussed in Ms. Olivier's testimony. Thus, based on current market conditions, the issuance of nuclear asset-recovery bonds and the imposition of nuclear asset-recovery charges would (a) significantly mitigate rate impacts to customers as compared with the traditional method of financing and recovering nuclear asset-recovery costs from customers and (b) have a significant likelihood of resulting in lower overall costs.

Q. Please explain why DEF's proposal to use securitization financing should be adopted in favor of the traditional method.

A. The CR3 Regulatory Asset revenue requirement proposed in DEF's May 22, 2015 petition (Docket No. 150148-EI) would go into effect in the first billing cycle for January 2016 consistent with the RRSSA. The Company is seeking recovery of the CR3 Regulatory Asset in a much more economical manner for customers. Based on current market conditions, securitization provides a mechanism for recovering the CR3 Regulatory Asset at a lower cost to DEF's customers than would occur through the

traditional method as demonstrated in Ms. Olivier's testimony. In addition to lower initial customer rate impacts, these documents demonstrate that, based on current market conditions, the total estimated cumulative undiscounted revenue requirements under securitization of $1,770 million are approximately $790 million lower than the total cumulative undiscounted estimated revenue requirements under the traditional method of recovery of $2,560 million.

VI. DEF's PROPOSED NUCLEAR ASSET-RECOVERY BOND TRANSACTION

Q. Please provide an overview of DEF's proposed nuclear asset-recovery bond issuance.

A. DEF will form a bankruptcy-remote special purpose entity ("SPE") to acquire nuclear asset-recovery property and issue and sell the nuclear asset-recovery bonds. This SPE will be capitalized by DEF in an amount equal to at least 0.50% of the nuclear asset-recovery bond issuance amount. DEF's capital contribution will be deposited into a Capital Subaccount, which allows the utility to treat the bond issuance as a financing for tax purposes and it also acts as a credit enhancement mechanism. As described in great detail below, under an Internal Revenue Service revenue procedure (2005-62), a 0.50% equity contribution will be sufficient to assure this desired tax treatment. This capital contribution will be made available to cover any shortfalls in nuclear asset-recovery charges and to make payments on the nuclear asset-recovery bonds, if necessary. This equity contribution will be returned to DEF at the time the bonds are paid in full.

In addition, DEF will be permitted to earn a return on its capital contribution equal to the rate of interest payable on the longest maturing tranche of the nuclear asset-recovery bonds and this return on invested capital will be paid to DEF in accordance with

a priority of payments (or waterfall). This payment to DEF will be an ongoing financing cost to be recovered through the nuclear asset-recovery charges.

DEF will receive the net proceeds after the payment of upfront bond issuance costs. The net proceeds will be used to relieve DEF's CR3 Regulatory Asset balance. DEF, in its role as Servicer, will collect an irrevocable, nonbypassable nuclear asset-recovery charge to recover from its customers the amounts necessary to pay principal and interest on the nuclear asset-recovery bonds as well as ongoing financing costs associated with the transaction. DEF will transfer the nuclear asset-recovery charges deemed collected to a collection account with the indenture trustee on a periodic basis, such basis to be determined after consultation with the rating agencies. (DEF's role as Servicer is discussed further in Mr. Collins' testimony.) The indenture trustee will then distribute such amounts to bondholders and other parties in accordance with the payment waterfall for the payment of principal and interest on the bonds and ongoing financing costs (described below), such as servicing fees, legal and accounting costs, trustee fees, rating agency fees, assessments (i.e. regulatory assessment fees) and administrative costs. The transaction documents provide more detail on the payment waterfall.

Q. Please describe the terms of the nuclear asset-recovery bonds.

A. The nuclear asset-recovery bonds will likely be issued in multiple tranches with varying maturities to attract a greater number of investors. The targeted ratings on the bonds are expected to be AAA. Exact pricing, interest rates, terms, tranches and other characteristics will be determined at the time of issuance and will depend on prevailing market conditions.

Q. When are the nuclear asset-recovery bonds expected to be issued?

A. The Company expects to start marketing the nuclear asset-recovery bonds as promptly as possible after the last of the following events have occurred: 1) issuance of a final non-appealable financing order acceptable to the Company; 2) delivery of any necessary SEC approvals under the Securities Act of 1933; and 3) completion of the rating agency process. Upon completion of these events, the Company expects to pursue an appropriately aggressive schedule to market, price, and issue the bonds, subject to market conditions. DEF recommends the nuclear asset-recovery bonds be issued as soon as practicable and will work to do so prior to March 31, 2016; however, the exact issuance date cannot be determined at this time and depends on many factors, including those mentioned above.

Q. How will the nuclear asset-recovery bonds be sold?

A. As shown in Mr. Collins' testimony, since 2010 all utility asset securitization transactions of a similar nature have been offered for sale to investors through a group of underwriters, and of the transactions since 1997, all but one of the utility securitizations have been offered to sale to investors through a negotiated sales process. Therefore, based on this history of utility securitization transactions, Duke Energy Florida's initial plan is to pursue this avenue for issuance of the bonds, but other avenues may be considered. Each underwriter will be selected through a request for approval process and such underwriters should have extensive debt capital markets experience and sales distribution workforce, specific experience in the marketing of utility securitization issues, and broad experience in the marketing of asset-backed securities ("ABS"). A thorough marketing and price discovery process will be used to determine the most cost

effective structure for issuing the nuclear asset-recovery bonds. Mr. Collins' testimony provides more detail on the standard process for marketing and sale of the nuclear asset-recovery bonds.

VII. UPFRONT BOND ISSUANCE AND ONGOING FINANCING COSTS

Q. Please provide a description of the upfront bond issuance costs which will be financed with the proceeds of the nuclear asset-recovery bonds.

A. Upfront bond issuance costs, which will be financed from the proceeds of the nuclear asset-recovery bonds, include the fees and expenses to obtain the financing order, as well as the fees and expenses associated with the structuring, marketing and issuance of each series of nuclear asset-recovery bonds, including counsel fees, structuring advisory fees and expenses, any interest rate lock or swap fees and costs (including the cost, if any, associated with interest rate hedges), underwriting fees and original issue discount, rating agency and trustee fees (including trustee's counsel), accounting fees, information technology programing costs, auditing fees, servicer's set-up costs, printing and marketing expenses, stock exchange listing fees and compliance fees, filing and registration fees, and the costs of the financial advisor retained by the Commission. Upfront bond issuance costs include reimbursement to DEF for amounts advanced for payment of such costs.

Q. Please provide an estimate and discussion of these upfront bond issuance costs for each individual item expected to be in excess of $50,000.

A. DEF estimates the upfront bond issuance costs associated with its recommended $1,312 million in nuclear asset-recovery bonds to be approximately $14 million based on the

approximate mid-point of the range included in Exhibit No. ___ (BB-1). DEF reviewed several regulatory asset recovery securitization filings made by other utilities and developed an estimate of upfront bond issuance costs with the assistance of its structuring advisor. These numbers are subject to change, as the costs are dependent on the timing of issuance, market conditions at the time of issuance, the outcome of requests for proposals for certain fees and other events outside the control of DEF, such as possible litigation, incremental legal fees resulting from protracted resolution of issues, possible review by the SEC and rating agency fee changes and requirements.

Q. How will DEF reconcile actual upfront bond issuance costs with the estimates provided by DEF through the issuance advice letter procedure since the actual costs will not be known until after the Commission issues the Financing Order and the nuclear asset-recovery bonds have been issued?

A. The proceeds of the nuclear asset-recovery bond issuance will be used to pay (or reimburse DEF for) the actual upfront bond issuance costs incurred. If the actual upfront bond issuance costs are below the amount appearing in the issuance advice letter filed with the Commission not later than one day after pricing the nuclear asset-recovery bonds, then the difference will be credited back to customers in a manner to be determined in the Financing Order. The issuance advice letter process, which will discuss the actual upfront bond issuance costs, are addressed in Mr. Collins' testimony. If the actual upfront bond issuance costs are in excess of the amount appearing in the issuance advice letter, then the company will have the right to collect such prudently incurred excess amounts through the capacity cost recovery clause. Not later than 120 days following issuance, DEF will file with the Commission a reconciliation of actual

upfront bond issuance costs with estimated amounts provided for in the nuclear asset-recovery bond issuance. The Commission shall review, on a reasonably comparable basis, such information to determine if such costs incurred in the issuance of the nuclear asset-recovery bonds resulted in the lowest overall costs that were reasonably consistent with market conditions at the time of the issuance and the terms of the financing order and may require the Company to make a credit to the capacity cost recovery clause in accordance with Section 366.95(2)(c)5., Florida Statutes. The Commission may not make adjustments to the nuclear asset-recovery charges for any such excess issuance costs. The Company proposes that the Company will be presumed to have satisfied this standard with respect to any upfront bond issuance costs that are incurred under contract following a request for proposal process or that are substantiated by documentation and fall within the estimates submitted to staff as part of the issuance advice letter procedure.

Q. Please describe the underwriting fees and expenses.

A. Underwriting fees and expenses are shown in line 1. The underwriting discount is the fee that the underwriters receive for underwriting and selling the nuclear asset-recovery bonds, assuming the Company issues the bonds in the manner previously discussed. This estimated range amount is consistent with those paid under recent, similar transactions.

Q. How will the Company select the underwriters for the transaction?

A. The Company proposes to select the underwriter(s) for the transaction through requests for proposals ("RFP"). The RFP will be submitted to a list of underwriters that are experienced in ABS and utility securitizations. The criteria for the requested proposals will include execution capability, demonstrated by providing information on experience

in utility securitizations, extensive debt capital markets experience, size and experience of its sales distribution workforce, overall ABS experience, distribution and marketing plans, and trading support, as well as information on proposed pricing for the structure, syndication structure (structure of the transaction) and underwriting fees. Through the RFP process and follow up interviews, a determination of the underwriters and appropriate underwriter structure will be made. The selection of the underwriters will be conducted by the Company in consultation with the other members of the Bond Team.

Q. What is the Bond Team?

A. The Company proposes the formation of a "Bond Team" to ensure that the Commission and its representatives will be actively involved in the structuring, marketing and pricing of the bonds, in accordance with the procedures set forth in the financing order. The Bond Team will be made up of the Company and its designated advisors, the Commission and their designated advisors, legal counsel and representatives. The members of the Bond Team shall work cooperatively to achieve the statutory cost objectives (as defined in the financing order). Any issue requiring consultation with the Bond Team that the Bond Team participants are unable to resolve to their mutual satisfaction should be initially presented in writing by the Bond Team participants for resolution by a designated Commissioner, subject to de novo review by the full Commission. All parties to this docket shall be provided prior notice of any matter taken in writing to the designated Commissioner and provided the opportunity for comment before the designated Commissioner. All parties shall also be provided notice of any decision reached by the designated Commissioner. Any party may seek a de novo review by the full Commission of any decision of the designated Commissioner.

Q. How will underwriters' fees be determined?

A. Assuming the Company issues the bonds in the manner that all other utility securitization transactions have been issued since 2010, underwriting fees will be incurred for the services previously discussed. The underwriters' fees will be updated through the issuance advice letter procedure after the transaction is priced. Underwriters' fees of 40 – 50 basis points of the principal amount of the bonds are consistent with individual utility securitization transactions with comparable issuance sizes that have occurred in the market, based on the Company's review of a list of recent comparable transactions. Because the level of underwriting fees is uncertain at this time, the actual costs will be updated through the issuance advice letter procedure. As previously discussed, the underwriters will be selected through an RFP process.

Q. Please describe the servicer set-up fees (including information technology programming costs).

A. Section 366.95(1)(e)3., Florida Statutes, includes informational technology programming costs in the definition of financing costs for a nuclear asset-recovery bond transaction. DEF intends this amount to recover the cost of information technology systems modifications to bill, monitor, collect, and remit securitization charges. The amount included in line 2 represents DEF's current estimate of the cost of these information technology systems modifications. This amount will be updated through the issuance advice letter procedure.

Q. Please describe and explain the Company's proposed treatment of legal fees.

A. Legal fees are a function of the legal work necessary to issue the nuclear cost-recovery bonds. These fees are based upon the hours individual firms must devote to the bond issuance rather than a fixed dollar amount. This category (line 3) includes the fees and expenses of counsel for the Company and the SPE, the underwriters and the Company's structuring advisor. Counsel will advise on the nuclear asset-recovery bond transaction structure, including bankruptcy, regulatory and tax matters; issue various transaction opinions, including bankruptcy opinions; and draft most other documents related to the financing, including, among other tasks, the SEC registration statement, the nuclear asset-recovery property purchase and sale agreement, the indenture, the servicing agreement, the administration agreement, the SPE organizational documents, and any other necessary agreements (drafts of the nuclear asset-recovery property purchase and sale agreement, the indenture, the servicing agreement, the administration agreement and the limited liability company agreement establishing the SPE are included within Exhibit Nos. __ (BB-2a – BB-2e). These estimated expenses were based on discussion with our internal legal counsel and estimates from external counsel. The Company's structuring advisor and underwriters' counsel also advises on the transaction structure, reviews all nuclear asset-recovery bond transaction documents, and performs a due diligence review of the transaction in connection with the underwriters' initial purchase of the bonds. The legal fees (over and above those incurred to date) will be affected by events between the date of the filing in this case and the date of bond issuance, including the extent to which this proceeding is contested by intervenors, the scope of any appeals, the extent of any comments received during the SEC review, the requirements of underwriters, trustees, rating agencies, regulators or the Commission's designated representative and/or advisor,

if applicable, for any requested revisions to documents, the use of additional credit enhancements, and other factors that cannot be foreseen. The Company's transaction may be the first transaction in this asset class subject to the SEC's new regulatory regime under Regulation AB II, and it is therefore likely that the transaction will be subject to SEC review and possibly involve extensive discussions with the SEC staff. Accordingly, legal fees are likely to reflect these incremental costs. The new requirements of navigating this new regulatory regime also underscore the importance of having an experienced legal team, well versed in Regulation AB and securitization financing. The aggregate amount of legal fees and expenses to be securitized will not be known until closing. However, these costs will be estimated to the best of the Company's ability and updated through the issuance advice letter procedure.

Q. Please describe rating agency fees.

A. In order to sell the nuclear asset-recovery bonds at the most favorable rate reasonably achievable, the bonds should be rated by a minimum of two of the three major rating agencies. Many utility securitizations to date have had three ratings from major rating agencies; therefore the Company expects it will obtain three ratings if it believes it important for the best marketing results with investors. Typically a fee is required by each of the rating agencies to rate the bonds. The fees charged by the rating agencies are subject to change at any time and are typically a function of the size and structure of the offering. The fees are typically calculated by applying a base rate charge to the initial principal balance. Neither the Company nor the Commission has any effective control over the fees charged by the rating agencies. The amounts shown on line 4 reflect an estimate of the rating agencies fees to be incurred for a securitization of the size

contemplated by the Company. Accordingly, the possibility of a change due to either the size of the offering, or modification of the agencies' fee requirements must be taken into account in determining the level of rating agency fees, and any increase in these fees should be recoverable by the Company, pursuant to the issuance advice letter procedure.

Q. Please describe and explain the Company's proposed treatment of the fee of the financial advisor to the Commission staff.

A. The Company recognizes that the Commission has retained a professional advisor and the costs of these advisors and their legal counsel, if any, should qualify as an upfront bond issuance cost in this securitization proceeding. The costs of the Commission's financial advisor and its legal counsel are not within the Company's control or influence and will not be known until closing. The estimate on line 5 and the Commission's legal counsel fees included in line 3 are estimates and will be updated through the issuance advice letter procedure.

Q. Please describe the fees of the structuring advisor to the Company.

A. As a result of a request for proposal process, the Company selected Morgan Stanley to act as its advisor in connection with structuring the transaction and providing related services in connection with this proceeding. We expect Morgan Stanley's role to continue until the bonds are issued[, but are earned once ratings are received on the bonds]. The fees and related expenses to be paid to Morgan Stanley have been agreed upon and are included on line 6. The amount shown on Exhibit No. __ (BB-1) reflects the required payments to Morgan Stanley under the current contract, and is consistent with the amounts in recent securitizations that have taken place in the market. However, it is not

known with precision when Morgan Stanley's services as advisor will end. Following issuance of the financing order, and assuming Duke Energy Florida pursues the marketing and sale of the bonds consistent with how all utility asset securitization transactions of a similar nature have been offered to investors since 2010, DEF expects to name book-runners who will perform advisory services as part of the services normally performed by a book-running lead underwriter. For these services, it is expected that the book-runner(s) will not seek fees beyond those underwriting fees they would be paid in their capacity as book-runner(s) after they are engaged as book-runner(s). But, as previously stated, the exact timing of that appointment is not known. To the extent the Company's financial advisor's fees exceed the estimate, DEF will update this amount through the issuance advice letter procedure.

Q. Please describe Auditor Fees.

A. Auditor fees (line 7) relate to the Company's independent auditor, and include the costs of accounting procedures as it related to the nuclear asset-recovery bonds.

Q. Please describe the SEC registration fee.

A. The SEC has specific formulas for calculating registration fees based upon the initial principal amount. The current fee is $116.20 per million dollars registered. That fee structure, however, changes from time to time. The fees are mandatory for registered offerings, and the Company has no control over such changes. The estimated amount on line 8 will either increase or decrease proportionately as a result of any increase or decrease in the size of the nuclear asset-recovery bond financing, and/or as a result of any change in the SEC registration fee structure.

Q. Please describe both upfront and ongoing financing costs of credit enhancements.

A. In order to ensure the nuclear asset-recovery bonds are issued under the most advantageous terms, it may be necessary to use various forms of credit enhancement or other mechanisms designed to improve the credit quality and marketability of the bonds. It cannot be known until the bonds are about to be issued whether the use of credit enhancements will reduce customer costs. Such mechanisms will be used only if they are cost justified (i.e., the savings exceed the costs). Because the need for any such credit enhancements or mechanisms, as well as their costs and benefits, will be determined by rating agency discussions and market conditions at the time the bonds are priced, decisions to use them can only be made at or near the time of pricing. On Exhibit No.___ (BB-1), I have assumed no credit enhancements, other than the capital subaccount, will be used, because, as DEF's witness Mr. Collins discusses in his testimony, additional credit enhancements are not currently anticipated to be necessary to achieve "AAA" or equivalent credit ratings.

Q. Please describe the estimated ongoing financing costs (excluding debt service) which will be recovered from the Nuclear Asset-Recovery Charge.

A. In addition to debt service on the nuclear asset-recovery bonds (and any swap or other hedging costs), there will be expenses that will be incurred throughout the life of the nuclear asset-recovery bonds in order to support the ongoing operations of the SPE. These ongoing financing costs are estimated at $1 million annually which approximates the lower end of the range set forth in Exhibit No. __ (BB-1), and include servicing fees; return on invested capital; administration costs; auditor fees; regulatory assessment fees;

legal fees; rating agency surveillance fees; trustee fees; independent director or manager fees; and miscellaneous other fees associated with the servicing of the nuclear asset-recovery bonds.

Certain of these ongoing financing costs, such as the administration fees and the amount of the servicing fee for DEF (as the initial servicer) may be determinable, either by reference to an established dollar amount or a percentage, on or before the issuance of any series of nuclear asset-recovery bonds. Other ongoing financing costs will vary over the term of the nuclear asset-recovery bonds.

Q. What is the estimated servicing fee and how will it be calculated?

A. In consideration for its servicing responsibilities, the servicer, initially the Company, will receive the periodic servicing fee (line 1) which will be recovered through the nuclear asset-recovery charges. To support the bankruptcy analysis necessary to achieve the highest credit rating, the servicing fee must be on arm's length terms and at market-based rates. Such servicing responsibilities will include, without limitation: (i) billing, monitoring, collecting and remitting securitization charges, (ii) reporting requirements imposed by the servicing agreement, (iii) implementing the true-up mechanism, (iv) procedures required to coordinate required audits related to the Company's role as servicer, (v) legal and accounting functions related to the servicing obligation, and (vi) communication with rating agencies.

The annual servicing fee to be paid to the Company is currently estimated to be 0.05% of the original principal balance of the securitization bonds, payable on each securitization bond payment date. Alternatively, if DEF ceases to service the nuclear asset-recovery bonds and a successor servicer is appointed, its servicer fee should be set

at a level not to exceed 0.60% of such original balance unless a higher rate is approved by the Commission. To date, we are not aware of any utility securitization transactions where a successor servicer has had to be appointed. The servicing fee reflected appears to the Company to be consistent with the rates in other recent securitizations. Since the servicing fee is based on the estimated original principal balance, the final amount will be known only when the transaction is priced and will be updated through the issuance advice letter process.

Q. Please describe return on invested capital.

A. When the nuclear asset-recovery bonds are issued, DEF proposes that it will make a capital contribution to the SPE, which the SPE will deposit into the Capital Subaccount. The nuclear asset-recovery bond proceeds will not be used to fund this capital contribution. As previously discussed, the amount of the capital contribution will be at least 0.5 percent of the original principal amount of the nuclear asset-recovery bonds. The Capital Subaccount will serve as collateral to facilitate timely payment of principal of and interest on the nuclear asset-recovery bonds. To the extent that the Capital Subaccount must be drawn upon to pay these amounts due to a shortfall in the nuclear asset-recovery charge collections, it will be replenished to its original level through the true-up process. The funds in the Capital Subaccount will be invested in short-term high-quality investments and, if necessary, such funds (including investment earnings) will be used by the indenture trustee to pay principal of and interest on the nuclear asset-recovery bonds and the ongoing financing costs payable by the SPE. DEF will be permitted to earn a rate of return on its invested capital equal to the rate of interest payable on the longest maturing tranche of nuclear asset-recovery bonds and this return on invested

capital should be a component of ongoing financing costs, and accordingly, recovered from nuclear asset-recovery charges.

Q. Please describe the purpose of the administration fee that you identified and how it will be calculated?

A. The annual administration fee is set forth on line 3 and is meant to cover expenses associated with administrative functions the Company will be providing to the SPE. These functions will include, among others, maintaining the general accounting records, preparation of quarterly and annual financial statements, arranging for annual audits of the SPE's financial statements, preparing all required external financial filings, preparing any required income or other tax returns, and related support. The SPE will not have any employees, so the administrator will perform these functions for the SPE. These functions are separate from those of the servicer.

Q. Please describe the purpose of the other ongoing financing costs that you identified in more detail.

A. The auditor fee line item is meant to represent (line 4) costs for activities such as providing periodic reports to the trustee and reviewing/certifying SEC filings.

The regulatory assessment fee is presented on line 5 and covers the amount required to submit to the Florida Public Service Commission under Section 25-6.0131, Florida Administrative Code. This fee is calculated as 0.072% of the nuclear asset-recovery charge revenues and is required to be paid on a semi-annual basis on January 30th and July 30th.

The SPE will incur periodic legal fees. The annual estimate for these expenses is on line 6., for such activities.

The rating agencies will assess ongoing fees associated with monitoring the credit rating of each securitization bond series (line 7).

The indenture trustee will be responsible for and earn a fee (line 8) for, among other things: (i) maintaining a record of investors; (ii) calculating and remitting interest and principal payments to investors; (iii) otherwise fulfilling its obligations under the indenture and other documents; and (iv) reporting as required by the Commission or any other regulatory body.

The SPE will also have an independent director or manager to oversee its operation, and he or she will receive a fee for their services and will be entitled to indemnification. Estimated fees are set forth on line 9.

Miscellaneous costs (line 10) are any costs that may be incurred but that have not been specifically identified at this time. Such types of costs have been identified by other utility companies for similar transactions.

Other than the servicing fee and the administrative fee, it is difficult to predict the level of such costs to be incurred by the SPE over the term of the nuclear asset-recovery bonds. It is virtually certain these fees will increase over the term, not only because service providers periodically increase their fees, but also because of inflation. Therefore, the Company believes there should be no cap on the ongoing financing costs. Moreover, the SPE must recover all of its ongoing financing costs in order to preserve bankruptcy remoteness of the SPE and to secure AAA or equivalent credit ratings on the nuclear asset-recovery bonds.

Q. How will the Company reconcile its actual ongoing financing costs associated with the transaction with is estimated costs?

A. Because ongoing financing costs are recovered through the nuclear asset-recovery charge, disparities will be resolved periodically through the true-up mechanism. The true-up mechanism is described in more detail in Mr. Covington's testimony.

Q. Has the U.S. Treasury Department issued any guidance on accounting for nuclear asset-recovery financing and related income taxes?

A. Yes. Revenue Procedure 2005-62 provides a safe harbor for public utility companies that, pursuant to specified cost recovery legislation, receive an irrevocable financing order permitting the utility to recover certain specified costs through a qualifying securitization. Under the revenue procedure, the Company will not recognize taxable income upon 1) the receipt of the financing order; 2) the transfer of the Company's rights under the financing order to the wholly-owned SPE; or 3) the receipt of cash in exchange for the issuance of the nuclear recovery bonds.

Q. In the Prior Storm Recovery Cost Securitization for FP&L, the Financing Documents contained certain provisions which the Commission viewed as "Customer Protections." Do the Financing Documents which you are Sponsoring contain similar "Customer Protections"?

A. Yes, it is my understanding that they do. As noted earlier in my testimony, I am sponsoring proposed forms of the nuclear asset-recovery property purchase and sale

agreement, the indenture, the servicing agreement, the administration agreement and the limited liability company agreement establishing the SPE. I believe that these documents contain the same substantive "customer protections" which the Commission required in the FPL transaction.

Q. Can you briefly describe what these "customer protections" are?

A. Generally, these "customer protections" include, without limitation:

-the satisfaction of a "Commission Condition" (being approval or acquiescence constituting approval by the Commission) prior to any amendment or modification to the financing documents;

-a provision authorizing the Commission to institute a proceeding to require DEF to make customers whole for any "Loses" suffered (i) as a result of negligence, recklessness, or willful misconduct by DEF under the servicing agreement or the administration agreement, or (ii) for any failure or breach by DEF of certain material representations, warranties or covenants in the purchase and sale agreement;

-provisions making the Commission, on behalf of itself and Customers of DEF, a third party beneficiary of the purchase and sale agreement and the servicing agreement; and

-a provisions allowing the Commission to enforce the provisions of the servicing agreement and to terminate the agreement in the event of a default by DEF.

These provisions and related protections are more fully set forth in the exhibits.

Q. Does the nuclear asset-recovery financing the Company is proposing meet the requirements of this revenue procedure?

A. Yes.

Q. Does this conclude your testimony?

A. Yes.

Estimated Up-front Nuclear Asset-Recovery Bond Issuance Costs

Line No.	Description	Lower End of Range	Upper End of Range
1	Underwriting Fees and Expenses	$ 4,847,200	$ 6,559,000
2	Servicer Set-up Fees (including Information Technology Programming Costs)	1,900,000	2,900,000
3	Legal Fees	1,900,000	2,700,000
4	Rating Agency Fees	1,128,500	2,000,000
5	Commission Financial Advisor Fee	500,000	1,200,000
6	DEF Structuring Advisor Fee	400,000	600,000
7	Auditor Fees	170,000	255,000
8	SEC Fees	152,431	152,431
9	SPE Set-up Fee	20,000	100,000
10	Marketing and Miscellaneous Fees and Expenses - to be determined	-	90,000
11	Printing/Edgarizing Fee	20,000	30,000
12	Trustee/Trustee Counsel Fees and Expenses	10,000	25,000
13	Original Issue Discount - to be determined	-	-
14	Other Ancillary Agreements - to be determined	-	-
	Total	$ 11,048,131	$ 16,611,431
	Estimated CR3 Regulatory Asset, including carrying costs through 12/31/15	$ 1,298,000,000	
	Estimated carrying costs subsequent to 12/31/15 to bond issuance date	TBD	
	Estimated Up-front Bond Issuance Costs Included in Proposed Structure (approximates the average of the lower end and higher end range amounts above)	13,800,000	
	Estimated Principal Amount of Nuclear Asset-Recovery Bonds	$ 1,311,800,000	

Estimated Annual Ongoing Financing Costs

Line No.	Description	Lower End of Range	Upper End of Range
1	Servicing Fee [(1)]	$ 655,900	$ 7,870,800
2	Return on Invested Capital	241,371	241,371
3	Administration Fee	50,000	100,000
4	Auditor Fees	50,000	100,000
5	Regulatory Assessment Fees	72,833	72,833
6	Legal Fees	30,000	30,000
7	Rating Agency Surveillance Fees	50,000	50,000
8	Trustee Fees	10,000	10,000
9	Independent Manager Fees	5,000	7,500
10	Miscellaneous Fees and Expenses	1,700	15,000
	Total	$ 1,166,804	$ 8,497,504
	Amount used in developing annual revenue requirement estimates, as an approximation of the lower end of the range (i.e. continually evolving estimate) - $506,450 semi-annually	$ 1,012,900	

[(1)] Low end of the range assumes DEF is the servicer (0.05%). Upper end of range reflects an alternative servicer (0.60%).

NUCLEAR ASSET-RECOVERY PROPERTY PURCHASE AND SALE AGREEMENT

by and between

[DEF SPE] LLC,

Issuer

and

DUKE ENERGY FLORIDA, INC.,

Seller

Acknowledged and Accepted by

The Bank of New York Mellon, as Indenture Trustee

Dated as of [, 20]

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EXHIBIT

APPENDIX

This NUCLEAR ASSET-RECOVERY PROPERTY PURCHASE AND SALE AGREEMENT, dated as of [, 20], is by and between [DEF SPE] LLC, a Delaware limited liability company, and DUKE ENERGY FLORIDA, INC., a Florida corporation, and acknowledged and accepted by The Bank of New York Mellon, as indenture trustee.

RECITALS

WHEREAS, the Issuer desires to purchase the Nuclear Asset-Recovery Property created pursuant to the Nuclear Asset-Recovery Law;

WHEREAS, the Seller is willing to sell its rights and interests under the Financing Order to the Issuer, whereupon such rights and interests will become the Nuclear Asset-Recovery Property;

WHEREAS, the Issuer, in order to finance the purchase of the Nuclear Asset-Recovery Property, will issue the Nuclear Asset-Recovery Bonds under the Indenture; and

WHEREAS, the Issuer, to secure its obligations under the Nuclear Asset-Recovery Bonds and the Indenture, will pledge, among other things, all right, title and interest of the Issuer in and to the Nuclear Asset-Recovery Property and this Sale Agreement to the Indenture Trustee for the benefit of the Secured Parties.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS AND RULES OF CONSTRUCTION

SECTION 1.01. Definitions and Rules of Construction. Capitalized terms used but not otherwise defined in this Sale Agreement shall have the respective meanings given to such terms in Appendix A, which is hereby incorporated by reference into this Sale Agreement as if set forth fully in this Sale Agreement. Not all terms defined in Appendix A are used in this Sale Agreement. The rules of construction set forth in Appendix A shall apply to this Sale Agreement and are hereby incorporated by reference into this Sale Agreement as if set forth fully in this Sale Agreement.

ARTICLE II
CONVEYANCE OF NUCLEAR ASSET-RECOVERY PROPERTY

SECTION 2.01. Conveyance of Nuclear Asset-Recovery Property.

(a) In consideration of the Issuer's delivery to or upon the order of the Seller of $[ ], subject to the conditions specified in Section 2.02, the Seller does hereby irrevocably sell, transfer, assign, set over and otherwise convey to the Issuer, without recourse or warranty, except as set forth herein, all right, title and interest of the Seller in, to and under the Nuclear Asset-Recovery Property (such sale, transfer, assignment, setting over and conveyance of the Nuclear Asset-Recovery Property includes, to the fullest extent permitted by the Nuclear Asset-Recovery Law and the Florida UCC, the assignment of all revenues,

collections, claims, rights, payments, money or proceeds of or arising form the Nuclear Asset-Recovery Charges related to the Nuclear Asset-Recovery Property, as the same may be adjusted from time to time). Such sale, transfer, assignment, setting over and conveyance is hereby expressly stated to be a sale or other absolute transfer and, pursuant to Section 366.95(5)(c)1. of the Nuclear Asset-Recovery Law, shall be treated as a true sale and not as a pledge of or secured transaction relating to the Seller's right, title, and interest in, to, and under the Nuclear Asset-Recovery Property. The Seller and the Issuer agree that after giving effect to the sale, transfer, assignment, setting over and conveyance contemplated hereby the Seller has no right, title or interest in, to or under the Nuclear Asset-Recovery Property to which a security interest could attach because (i) it has sold, transferred, assigned, set over and conveyed all right, title and interest in and to the Nuclear Asset-Recovery Property to the Issuer, (ii) as provided in Section 366.95(5)(c)1. of the Nuclear Asset-Recovery Law, legal and equitable title shall have passed to the Issuer and (iii) as provided in Section 366.95(5)(c)4. of the Nuclear Asset-Recovery Law, appropriate financing statements have been filed and such transfer is perfected against all third parties, including subsequent judicial or other lien creditors. If such sale, transfer, assignment, setting over and conveyance is held by any court of competent jurisdiction not to be a true sale as provided in Section 366.95(5)(c)1. of the Nuclear Asset-Recovery Law, then such sale, transfer, assignment, setting over and conveyance shall be treated as a pledge of the Nuclear Asset-Recovery Property and as the creation of a security interest (within the meaning of the Nuclear Asset-Recovery Law and the UCC) in the Nuclear Asset-Recovery Property and, without prejudice to its position that it has absolutely transferred all of its rights in the Nuclear Asset-Recovery Property to the Issuer, the Seller hereby grants a security interest in the Nuclear Asset-Recovery Property to the Issuer (and to the Indenture Trustee for the benefit of the Secured Parties) to secure their respective rights under the Basic Documents to receive the Nuclear Asset-Recovery Charges and all other Nuclear Asset-Recovery Property.

(b) Subject to Section 2.02, the Issuer does hereby purchase the Nuclear Asset-Recovery Property from the Seller for the consideration set forth in Section 2.01(a).

SECTION 2.02. Conditions to Conveyance of Nuclear Asset-Recovery Property. The obligation of the Issuer to purchase Nuclear Asset-Recovery Property on the Closing Date shall be subject to the satisfaction of each of the following conditions:

(a) on or prior to the Closing Date, the Seller shall have delivered to the Issuer a duly executed Bill of Sale identifying the Nuclear Asset-Recovery Property to be conveyed on the Closing Date;

(b) on or prior to the Closing Date, the Seller shall have obtained the Financing Order creating the Nuclear Asset-Recovery Property;

(c) as of the Closing Date, the Seller is not insolvent and will not have been made insolvent by such sale and the Seller is not aware of any pending insolvency with respect to itself;

(d) as of the Closing Date, (i) the representations and warranties of the Seller set forth in this Sale Agreement shall be true and correct with the same force and effect as if made on the Closing Date (except to the extent that they relate to an earlier date), (ii) on and as of the Closing Date no breach of any covenant or agreement of the Seller contained in this Sale Agreement has occurred and is continuing and (iii) no Servicer Default shall have occurred and be continuing;

(e) as of the Closing Date, (i) the Issuer shall have sufficient funds available to pay the purchase price for the Nuclear Asset-Recovery Property to be conveyed on such date and (ii) all conditions to the issuance of the Nuclear Asset-Recovery Bonds intended to provide such funds set forth in the Indenture shall have been satisfied or waived;

(f) on or prior to the Closing Date, the Seller shall have taken all action required to transfer to the Issuer ownership of the Nuclear Asset-Recovery Property to be conveyed on such date, free and clear of all Liens other than Liens created by the Issuer pursuant to the Basic Documents and to perfect such transfer, including filing any statements or filings under the Nuclear Asset-Recovery Law or the UCC, and the Issuer or the Servicer, on behalf of the Issuer, shall have taken any action required for the Issuer to grant the Indenture Trustee a first priority perfected security interest in the Nuclear Asset-Recovery Bond Collateral and maintain such security interest as of such date;

(g) the Seller shall have delivered to the Rating Agencies and the Issuer any Opinions of Counsel required by the Rating Agencies;

(h) the Seller shall have received and delivered to the Issuer and the Indenture Trustee an opinion or opinions of outside tax counsel (as selected by the Seller, and in form and substance reasonably satisfactory to the Issuer and the Indenture Trustee) to the effect that, for U.S. federal income tax purposes, (i) the Issuer will not be treated as a taxable entity separate and apart from its sole owner, (ii) the Nuclear Asset-Recovery Bonds will be treated as debt of the Issuer's sole owner and (iii) the Seller will not be treated as recognizing gross income upon the issuance of the Nuclear Asset-Recovery Bonds;

(i) on and as of the Closing Date, each of the Certificate of Formation, the LLC Agreement, the Servicing Agreement, this Sale Agreement, the Indenture, the Financing Order and the Nuclear Asset-Recovery Law shall be in full force and effect;

(j) the Nuclear Asset-Recovery Bonds shall have received any rating or ratings required by the Financing Order; and

(k) the Seller shall have delivered to the Indenture Trustee and the Issuer an Officer's Certificate confirming the satisfaction of each condition precedent specified in this Section 2.02.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF SELLER

Subject to Section 3.09, the Seller makes the following representations and warranties, as of the Closing Date, and the Seller acknowledges that the Issuer has relied thereon in acquiring

the Nuclear Asset-Recovery Property. The representations and warranties shall survive the sale and transfer of Nuclear Asset-Recovery Property to the Issuer and the pledge thereof to the Indenture Trustee pursuant to the Indenture. The Seller agrees that (i) the Issuer may assign the right to enforce the following representations and warranties to the Indenture Trustee and (ii) the following representations and warranties inure to the benefit of the Issuer and the Indenture Trustee.

SECTION 3.01. Organization and Good Standing. The Seller is duly organized and validly existing and is in good standing under the laws of the State of Florida, with the requisite organizational power and authority to own its properties as such properties are currently owned and to conduct its business as such business is now conducted by it, and has the requisite organizational power and authority to obtain the Financing Order and own the rights and interests under the Financing Order and to sell and assign those rights and interests to the Issuer, whereupon such rights and interests shall become "nuclear asset-recovery property" as defined in the Nuclear Asset-Recovery Law.

SECTION 3.02. Due Qualification. The Seller is duly qualified to do business and is in good standing, and has obtained all necessary licenses and approvals, in all jurisdictions in which the ownership or lease of property or the conduct of its business shall require such qualifications, licenses or approvals (except where the failure to so qualify or obtain such licenses and approvals would not be reasonably likely to have a material adverse effect on the Seller's business, operations, assets, revenues or properties, the Nuclear Asset-Recovery Property, the Issuer or the Nuclear Asset-Recovery Bonds).

SECTION 3.03. Power and Authority. The Seller has the requisite corporate power and authority to execute and deliver this Sale Agreement and to carry out its terms. The Seller has full corporate power and authority to own the Nuclear Asset-Recovery Property and to sell and assign the Nuclear Asset-Recovery Property to the Issuer. The execution, delivery and performance of obligations under this Sale Agreement have been duly authorized by all necessary action on the part of the Seller under its organizational documents and laws.

SECTION 3.04. Binding Obligation. This Sale Agreement constitutes a legal, valid and binding obligation of the Seller enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and other laws relating to or affecting creditors' or secured parties' rights generally from time to time in effect and to general principles of equity (including concepts of materiality, reasonableness, good faith and fair dealing), regardless of whether considered in a proceeding in equity or at law.

SECTION 3.05. No Violation. The consummation of the transactions contemplated by this Sale Agreement and the fulfillment of the terms hereof do not: (a) conflict with or result in any breach of any of the terms and provisions of, or constitute (with or without notice or lapse of time) a default under, the Seller's organizational documents or any indenture or other agreement or instrument to which the Seller is a party or by which it or any of its properties is bound; (b) result in the creation or imposition of any Lien upon any of the Seller's properties

pursuant to the terms of any such indenture, agreement or other instrument (other than any Lien that may be granted in the Issuer's favor or any Lien created in favor of the Indenture Trustee for the benefit of the Holders pursuant to the Nuclear Asset-Recovery Law or any other Lien that may be granted under the Basic Documents); or (c) violate any existing law or any existing order, rule or regulation applicable to the Seller issued by any Governmental Authority having jurisdiction over the Seller or its properties.

SECTION 3.06. No Proceedings. There are no proceedings pending, and, to the Seller's knowledge, there are no proceedings threatened, and, to the Seller's knowledge, there are no investigations pending or threatened, in each case, before any Governmental Authority having jurisdiction over the Seller or its properties involving or relating to the Seller or the Issuer or, to the Seller's knowledge, any other Person: (a) asserting the invalidity of the Nuclear Asset-Recovery Law, the Financing Order, this Sale Agreement, any of the other Basic Documents or the Nuclear Asset-Recovery Bonds; (b) seeking to prevent the issuance of the Nuclear Asset-Recovery Bonds or the consummation of any of the transactions contemplated by this Sale Agreement or any of the other Basic Documents; (c) seeking any determination or ruling that could reasonably be expected to materially and adversely affect the performance by the Seller of its obligations under, or the validity or enforceability of, the Nuclear Asset-Recovery Law, the Financing Order, this Sale Agreement, any of the other Basic Documents or the Nuclear Asset-Recovery Bonds; or (d) seeking to adversely affect the U.S. federal income tax or state income or franchise tax classification of the Nuclear Asset-Recovery Bonds as debt.

SECTION 3.07. Approvals. No approval, authorization, consent, order or other action of, or filing with, any Governmental Authority is required in connection with the execution and delivery by the Seller of this Sale Agreement, the performance by the Seller of the transactions contemplated hereby or the fulfillment by the Seller of the terms hereof, except those that have been obtained or made and those that the Seller, in its capacity as Servicer under the Servicing Agreement, is required to make in the future pursuant to the Servicing Agreement. The Seller has provided the Commission with a copy of each registration statement, prospectus or other closing document filed with the SEC as part of the transactions contemplated hereby immediately following the filing of the original document.

SECTION 3.08. The Nuclear Asset-Recovery Property.

(a) Information. Subject to Section 3.08(f), at the Closing Date, all written information, as amended or supplemented from time to time, provided by the Seller to the Issuer with respect to the Nuclear Asset-Recovery Property (including the Expected Amortization Schedule and the Financing Order) is true and correct in all material respects.

(b) Title. It is the intention of the parties hereto that (other than for U.S. federal income tax purposes and, to the extent consistent with applicable state tax law, state income and franchise tax purposes) the transfers and assignments herein contemplated each constitute a sale and absolute transfer of the Nuclear Asset-Recovery Property from the Seller to the Issuer and that no interest in, or right or title to, the Nuclear Asset-Recovery Property shall be part of the Seller's estate in the event of the filing of a bankruptcy petition by or against the

Seller under any bankruptcy law. No portion of the Nuclear Asset-Recovery Property has been sold, transferred, assigned, pledged or otherwise conveyed by the Seller to any Person other than the Issuer, and, to the Seller's knowledge (after due inquiry), no security agreement, financing statement or equivalent security or lien instrument listing the Seller as debtor covering all or any part of the Nuclear Asset-Recovery Property is on file or of record in any jurisdiction, except such as may have been filed, recorded or made in favor of the Issuer or the Indenture Trustee in connection with the Basic Documents. The Seller has not authorized the filing of and is not aware (after due inquiry) of any financing statement against it that includes a description of collateral including the Nuclear Asset-Recovery Property other than any financing statement filed, recorded or made in favor of the Issuer or the Indenture Trustee in connection with the Basic Documents. The Seller is not aware (after due inquiry) of any judgment or tax lien filings against either the Seller or the Issuer. At the Closing Date, immediately prior to the sale of the Nuclear Asset-Recovery Property hereunder, the Seller is the original and the sole owner of the Nuclear Asset-Recovery Property free and clear of all Liens and rights of any other Person, and no offsets, defenses or counterclaims exist or have been asserted with respect thereto.

(c) Transfer Filings. On the Closing Date, immediately upon the sale hereunder, the Nuclear Asset-Recovery Property shall be validly transferred and sold to the Issuer, the Issuer shall own all the Nuclear Asset-Recovery Property free and clear of all Liens (except for the Lien created in favor of the Indenture Trustee granted under the Indenture and perfected pursuant to the Nuclear Asset-Recovery Law) and all filings and actions to be made or taken by the Seller (including filings with the Florida Department of State pursuant to the Nuclear Asset-Recovery Law) necessary in any jurisdiction to give the Issuer a perfected ownership interest (subject to any Lien created in favor of the Indenture Trustee for the benefit of the Holders pursuant to the Indenture and perfected pursuant to the Nuclear Asset-Recovery Law) in the Nuclear Asset-Recovery Property have been made or taken. No further action is required to maintain such ownership interest (subject to any Lien created in favor of the Indenture Trustee for the benefit of the Holders pursuant to the Indenture and perfected pursuant to the Nuclear Asset-Recovery Law) and to give the Indenture Trustee a first priority perfected security interest in the Nuclear Asset-Recovery Property. All filings and action have also been made or taken to perfect the security interest in the Nuclear Asset-Recovery Property granted by the Seller to the Issuer (subject to any Lien created in favor of the Indenture Trustee for the benefit of the Holders pursuant to the Indenture and perfected pursuant to the Nuclear Asset-Recovery Law) and, to the extent necessary, the Indenture Trustee pursuant to Section 2.01.

(d) Financing Order; Other Approvals. On the Closing Date, under the laws of the State of Florida and the United States in effect on the Closing Date: (i) the Financing Order pursuant to which the rights and interests of the Seller, including the right of Duke Energy Florida and any Successor to impose, collect and receive the Nuclear Asset-Recovery Charges and the interest in and to the Nuclear Asset-Recovery Property transferred on such date have been created, is Final and is in full force and effect; (ii) as of the issuance of the Nuclear Asset-Recovery Bonds, the Nuclear Asset-Recovery Bonds are entitled to the protection of the Nuclear Asset-Recovery Law and, accordingly, the Financing Order and the Nuclear Asset-

Recovery Charges are not revocable by the Commission; (iii) as of the issuance of the Nuclear Asset-Recovery Bonds, the Nuclear Asset-Recovery Rate Schedule has been filed and is in full force and effect, the Nuclear Asset-Recovery Rate Schedule is consistent with the Financing Order, and any electric tariff implemented consistent with a financing order issued by the Commission is not subject to modification by the Commission except for true-up adjustments made in accordance with the Nuclear Asset-Recovery Law; (iv) the process by which the Financing Order creating the Nuclear Asset-Recovery Property transferred on such date was adopted and approved complies with all applicable laws, rules and regulations; (v) the Financing Order is not subject to appeal and is legally enforceable, and the process by which it was issued complied with all applicable laws, rules and regulations; and (vi) no other approval, authorization, consent, order or other action of, or filing with, any Governmental Authority is required in connection with the creation of the Nuclear Asset-Recovery Property transferred on such date, except those that have been obtained or made.

(e) State Action. Under the Nuclear Asset-Recovery Law, the State of Florida may not take or permit any action that would impair the value of the Nuclear Asset-Recovery Property, reduce or alter, except as allowed under Sections 366.95(2)(c)2.d and (2)(c)4. of the Nuclear Asset-Recovery Law, or impair the Nuclear Asset-Recovery Charges to be imposed, collected and remitted to the Issuer, until the principal, interest and premium, and any other charges incurred and contracts to be performed, in connection with the Nuclear Asset-Recovery Bonds have been paid and performed in full. Under the contract clauses of the State of Florida and United States Constitutions, the State of Florida, including the Commission, could not constitutionally take any action of a legislative character, including the repeal or amendment of the Nuclear Asset-Recovery Law or the Financing Order (including repeal or amendment by voter initiative as defined in the Florida Constitution or by amendment of the Florida Constitution), that would substantially impair the value of the Nuclear Asset-Recovery Property or substantially reduce or alter, except as allowed under Sections 366.95(2)(c)2.d and (2)(c)4. of the Nuclear Asset-Recovery Law, or substantially impair the Nuclear Asset-Recovery Charges to be imposed, collected and remitted to the Issuer, unless this action is a reasonable exercise of the State of Florida's sovereign powers and of a character reasonable and appropriate to the public purpose justifying this action and, under the takings clauses of the State of Florida and United States Constitutions, the State of Florida, including the Commission, could not repeal or amend the Nuclear Asset-Recovery Law or the Financing Order (including repeal or amendment by voter initiative as defined in the Florida Constitution or by amendment of the Florida Constitution) or take any other action in contravention of its pledge described in the first sentence of this Section 3.08(e), without paying just compensation to the Holders, as determined by a court of competent jurisdiction, if this action would constitute a permanent appropriation of a substantial property interest of the Holders in the Nuclear Asset-Recovery Property and deprive the Holders of their reasonable expectations arising from their investment in the Nuclear Asset-Recovery Bonds. However, there is no assurance that, even if a court were to award just compensation, it would be sufficient to pay the full amount of principal of and interest on the Nuclear Asset-Recovery Bonds.

(f) Assumptions. On the Closing Date, based upon the information available to the Seller on such date, the assumptions used in calculating the Nuclear Asset-Recovery Charges are reasonable and are made in good faith. Notwithstanding the foregoing, the Seller makes no representation or warranty, express or implied, that amounts actually collected arising from those Nuclear Asset-Recovery Charges will in fact be sufficient to meet the payment obligations on the related Nuclear Asset-Recovery Bonds or that the assumptions used in calculating such Nuclear Asset-Recovery Charges will in fact be realized.

(g) Creation of Nuclear Asset-Recovery Property. Any right that the Seller has in the Nuclear Asset-Recovery Property before its pledge, sale, or transfer of any other right created under the Nuclear Asset-Recovery Law or created in the Financing Order is property in the form of a contract right. Upon the effectiveness of the Financing Order, the execution and delivery of a security agreement with a Financing Party in connection with the issuance of the Nuclear Asset-Recovery Bonds and the transfer of the Nuclear Asset-Recovery Property pursuant to this Sale Agreement: (i) the rights and interests of the Seller under the Financing Order, including the right of the Seller and any Successor or assignee of the Seller to impose, bill, collect and receive the Nuclear Asset-Recovery Charges authorized in the Financing Order, become "nuclear asset-recovery property" as defined in the Nuclear Asset-Recovery Law; (ii) the Nuclear Asset-Recovery Property constitutes an existing, present property right and shall continue to exist until the Nuclear Asset-Recovery Bonds have been paid in full and all Financing Costs and other costs of such Nuclear Asset-Recovery Bonds have been recovered in full; (iii) the Nuclear Asset-Recovery Property includes (A) all rights and interests of the Seller or Successor or assignee of the Seller under the Financing Order, including the right to impose, bill, collect and receive Nuclear Asset-Recovery Charges from Customers and to obtain True-Up Adjustments, and (B) all revenue, collections, claims, right to payments, payments, money and proceeds arising out of rights and interests created under the Financing Order; (iv) the owner of the Nuclear Asset-Recovery Property is legally entitled to bill Nuclear Asset-Recovery Charges for a period not greater than [20] years after the date the Nuclear Asset-Recovery Charges are first billed and to collect and post payments in respect of the Nuclear Asset-Recovery Charges in the aggregate sufficient to pay the interest on and principal of the Nuclear Asset-Recovery Bonds in accordance with the Indenture, to pay Ongoing Financing Costs and to replenish the Capital Subaccount to the Required Capital Level until the Nuclear Asset-Recovery Bonds are paid in full; and (v) the Nuclear Asset-Recovery Property is not subject to any Lien other than any Lien created in favor of the Indenture Trustee for the benefit of the Holders pursuant to the Indenture and perfected pursuant to the Nuclear Asset-Recovery Law.

(h) Nature of Representations and Warranties. The representations and warranties set forth in this Section 3.08, insofar as they involve conclusions of law, are made not on the basis that the Seller purports to be a legal expert or to be rendering legal advice, but rather to reflect the parties' good faith understanding of the legal basis on which the parties are entering into this Sale Agreement and the other Basic Documents and the basis on which the Holders are purchasing the Nuclear Asset-Recovery Bonds, and to reflect the parties' agreement that, if such understanding turns out to be incorrect or inaccurate, the Seller will be obligated to

indemnify the Issuer and its permitted assigns (to the extent required by and in accordance with Section 5.01), and that the Issuer and its permitted assigns will be entitled to enforce any rights and remedies under the Basic Documents on account of such inaccuracy to the same extent as if the Seller had breached any other representations or warranties hereunder.

(i) Prospectus. As of the date hereof, the information describing the Seller under the caption ["The Depositor, Seller, Initial Servicer and Sponsor"] in the prospectus dated [, 20] relating to the Nuclear Asset-Recovery Bonds is true and correct in all material respects.

(j) Solvency. After giving effect to the sale of the Nuclear Asset-Recovery Property hereunder, the Seller:

(i) is solvent and expects to remain solvent;

(ii) is adequately capitalized to conduct its business and affairs considering its size and the nature of its business and intended purpose;

(iii) is not engaged in nor does it expect to engage in a business for which its remaining property represents unreasonably small capital;

(iv) reasonably believes that it will be able to pay its debts as they come due; and

(v) is able to pay its debts as they mature and does not intend to incur, or believes that it will not incur, indebtedness that it will not be able to repay at its maturity.

(k) No Court Order. There is no order by any court providing for the revocation, alteration, limitation or other impairment of the Nuclear Asset-Recovery Law, the Financing Order, the Nuclear Asset-Recovery Property or the Nuclear Asset-Recovery Charges or any rights arising under any of them or that seeks to enjoin the performance of any obligations under the Financing Order.

(l) Survival of Representations and Warranties The representations and warranties set forth in this Section 3.08 shall survive the execution and delivery of this Sale Agreement and may not be waived by any party hereto except pursuant to a written agreement executed in accordance with Article VI and as to which the Rating Agency Condition has been satisfied.

SECTION 3.09. Limitations on Representations and Warranties. Without prejudice to any of the other rights of the parties, the Seller will not be in breach of any representation or warranty as a result of a change in law by means of any legislative enactment, constitutional amendment or voter initiative. **The Seller makes no representation or warranty, express or implied, that Billed Nuclear Asset-Recovery Charges will be actually collected from Customers.**

ARTICLE IV
COVENANTS OF THE SELLER

SECTION 4.01. Existence. Subject to Section 5.02, so long as any of the Nuclear Asset-Recovery Bonds are Outstanding, the Seller (a) will keep in full force and effect its existence and remain in good standing under the laws of the jurisdiction of its organization, (b) will obtain and preserve its qualification to do business in each jurisdiction where such existence or qualification is or shall be necessary to protect the validity and enforceability of this Sale Agreement, the other Basic Documents to which the Seller is a party and each other instrument or agreement necessary or appropriate to the proper administration of this Sale Agreement and the transactions contemplated hereby or to the extent necessary for the Seller to perform its obligations hereunder or thereunder and (c) will continue to operate its electric distribution system to provide service to its Customers.

SECTION 4.02. No Liens. Except for the conveyances hereunder or any Lien pursuant to the Indenture in favor of the Indenture Trustee for the benefit of the Holders and any Lien that may be granted under the Basic Documents, the Seller will not sell, pledge, assign or transfer, or grant, create, incur, assume or suffer to exist any Lien on, any of the Nuclear Asset-Recovery Property, or any interest therein, and the Seller shall defend the right, title and interest of the Issuer and the Indenture Trustee, on behalf of the Secured Parties, in, to and under the Nuclear Asset-Recovery Property against all claims of third parties claiming through or under the Seller. Duke Energy Florida, in its capacity as the Seller, will not at any time assert any Lien against, or with respect to, any of the Nuclear Asset-Recovery Property.

SECTION 4.03. Delivery of Collections. In the event that the Seller receives any Nuclear Asset-Recovery Charge Collections or other payments in respect of the Nuclear Asset-Recovery Charges or the proceeds thereof other than in its capacity as the Servicer, the Seller agrees to pay to the Servicer, on behalf of the Issuer, all payments received by it in respect thereof as soon as practicable after receipt thereof. Prior to such remittance to the Servicer by the Seller, the Seller agrees that such amounts are held by it in trust for the Issuer and the Indenture Trustee.

SECTION 4.04. Notice of Liens. The Seller shall notify the Issuer and the Indenture Trustee promptly after becoming aware of any Lien on any of the Nuclear Asset-Recovery Property, other than the conveyances hereunder and any Lien pursuant to the Basic Documents, including the Lien in favor of the Indenture Trustee for the benefit of the Holders.

SECTION 4.05. Compliance with Law. The Seller hereby agrees to comply with its organizational documents and all laws, treaties, rules, regulations and determinations of any Governmental Authority applicable to it, except to the extent that failure to so comply would not materially adversely affect the Issuer's or the Indenture Trustee's interests in the Nuclear Asset-Recovery Property or under any of the Basic Documents to which the Seller is party or the Seller's performance of its obligations hereunder or under any of the other Basic Documents to which it is party.

SECTION 4.06. Covenants Related to Nuclear Asset-Recovery Bonds and Nuclear Asset-Recovery Property.

(a) So long as any of the Nuclear Asset-Recovery Bonds are Outstanding, the Seller shall treat the Nuclear Asset-Recovery Property as the Issuer's property for all purposes other than financial reporting, state or U.S. federal regulatory or tax purposes, and the Seller shall treat the Nuclear Asset-Recovery Bonds as debt for all purposes and specifically as debt of the Issuer, other than for financial reporting, state or U.S. federal regulatory or tax purposes.

(b) Solely for the purposes of U.S. federal taxes and, to the extent consistent with applicable state, local and other tax law, for purposes of state, local and other taxes, so long as any of the Nuclear Asset-Recovery Bonds are Outstanding, the Seller agrees to treat the Nuclear Asset-Recovery Bonds as indebtedness of the Seller (as the sole owner of the Issuer) secured by the Nuclear Asset-Recovery Bond Collateral unless otherwise required by appropriate taxing authorities.

(c) So long as any of the Nuclear Asset-Recovery Bonds are Outstanding, the Seller shall disclose in its financial statements that the Issuer and not the Seller is the owner of the Nuclear Asset-Recovery Property and that the assets of the Issuer are not available to pay creditors of the Seller or its Affiliates (other than the Issuer).

(d) So long as any of the Nuclear Asset-Recovery Bonds are Outstanding, the Seller shall not own or purchase any Nuclear Asset-Recovery Bonds.

(e) So long as the Nuclear Asset-Recovery Bonds are Outstanding, the Seller shall disclose the effects of all transactions between the Seller and the Issuer in accordance with generally accepted accounting principles.

(f) The Seller agrees that, upon the sale by the Seller of the Nuclear Asset-Recovery Property to the Issuer pursuant to this Sale Agreement, (i) to the fullest extent permitted by law, including applicable Commission Regulations and the Nuclear Asset-Recovery Law, the Issuer shall have all of the rights originally held by the Seller with respect to the Nuclear Asset-Recovery Property, including the right (subject to the terms of the Servicing Agreement) to exercise any and all rights and remedies to collect any amounts payable by any Customer in respect of the Nuclear Asset-Recovery Property, notwithstanding any objection or direction to the contrary by the Seller (and the Seller agrees not to make any such objection or to take any such contrary action) and (ii) any payment by any Customer directly to the Issuer shall discharge such Customer's obligations, if any, in respect of the Nuclear Asset-Recovery Property to the extent of such payment, notwithstanding any objection or direction to the contrary by the Seller.

(g) So long as any of the Nuclear Asset-Recovery Bonds are Outstanding, (i) in all proceedings relating directly or indirectly to the Nuclear Asset-Recovery Property, the Seller shall affirmatively certify and confirm that it has sold all of its rights and interests in and to such property (other than for financial reporting, regulatory or tax purposes), (ii) the Seller shall not make any statement or reference in respect of the Nuclear Asset-Recovery Property that is inconsistent with the ownership interest of the Issuer (other than for financial accounting

or tax purposes or as required for state or U.S. federal regulatory purposes), (iii) the Seller shall not take any action in respect of the Nuclear Asset-Recovery Property except solely in its capacity as the Servicer thereof pursuant to the Servicing Agreement or as otherwise contemplated by the Basic Documents and (iv) neither the Seller nor the Issuer shall take any action, file any tax return or make any election inconsistent with the treatment of the Issuer, for U.S. federal income tax purposes and, to the extent consistent with applicable state tax law, state income and franchise tax purposes, as a disregarded entity that is not separate from the Seller (or, if relevant, from another sole owner of the Issuer).

SECTION 4.07. Protection of Title. The Seller shall execute and file such filings, including filings with the Florida Secured Transaction Registry pursuant to the Nuclear Asset-Recovery Law, and cause to be executed and filed such filings, all in such manner and in such places as may be required by law to fully preserve, maintain, protect and perfect the ownership interest of the Issuer, and the back-up precautionary security interest of the Issuer pursuant to Section 2.01, and the first priority security interest of the Indenture Trustee in the Nuclear Asset-Recovery Property, including all filings required under the Nuclear Asset-Recovery Law and the UCC relating to the transfer of the ownership of the rights and interest in the Nuclear Asset-Recovery Property by the Seller to the Issuer or the pledge of the Issuer's interest in the Nuclear Asset-Recovery Property to the Indenture Trustee. The Seller shall deliver or cause to be delivered to the Issuer and the Indenture Trustee file-stamped copies of, or filing receipts for, any document filed as provided above, as soon as available following such filing. The Seller shall institute any action or proceeding necessary to compel performance by the Commission, the State of Florida or any of their respective agents of any of their obligations or duties under the Nuclear Asset-Recovery Law or the Financing Order, and the Seller agrees to take such legal or administrative actions, including defending against or instituting and pursuing legal actions and appearing or testifying at hearings or similar proceedings, in each case as may be reasonably necessary (a) to seek to protect the Issuer and the Secured Parties from claims, state actions or other actions or proceedings of third parties that, if successfully pursued, would result in a breach of any representation set forth in Article III or any covenant set forth in Article IV and (b) to seek to block or overturn any attempts to cause a repeal of, modification of or supplement to the Nuclear Asset-Recovery Law or the Financing Order or the rights of Holders by legislative enactment or constitutional amendment that would be materially adverse to the Issuer or the Secured Parties or that would otherwise cause an impairment of the rights of the Issuer or the Secured Parties. The costs of any such actions or proceedings will be payable by the Seller.

SECTION 4.08. Nonpetition Covenants. Notwithstanding any prior termination of this Sale Agreement or the Indenture, the Seller shall not, prior to the date that is one year and one day after the termination of the Indenture and payment in full of the Nuclear Asset-Recovery Bonds or any other amounts owed under the Indenture, petition or otherwise invoke or cause the Issuer to invoke the process of any Governmental Authority for the purpose of commencing or sustaining an involuntary case against the Issuer under any U.S. federal or state bankruptcy, insolvency or similar law, appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of the Issuer or any substantial part of the property of the Issuer, or ordering the winding up or liquidation of the affairs of the Issuer.

SECTION 4.09. Taxes. So long as any of the Nuclear Asset-Recovery Bonds are outstanding, the Seller shall, and shall cause each of its subsidiaries to, pay all taxes, assessments and governmental charges imposed upon it or any of its properties or assets or with respect to any of its franchises, business, income or property before any penalty accrues thereon if the failure to pay any such taxes, assessments and governmental charges would, after any applicable grace periods, notices or other similar requirements, result in a Lien on the Nuclear Asset-Recovery Property; provided, that no such tax need be paid if the Seller or one of its Affiliates is contesting the same in good faith by appropriate proceedings promptly instituted and diligently conducted and if the Seller or such Affiliate has established appropriate reserves as shall be required in conformity with generally accepted accounting principles.

SECTION 4.10. Notice of Breach to Rating Agencies, Etc. Promptly after obtaining knowledge thereof, in the event of a breach in any material respect (without regard to any materiality qualifier contained in such representation, warranty or covenant) of any of the Seller's representations, warranties or covenants contained herein, the Seller shall promptly notify the Issuer, the Indenture Trustee and the Rating Agencies of such breach. For the avoidance of doubt, any breach that would adversely affect scheduled payments on the Nuclear Asset-Recovery Bonds will be deemed to be a material breach for purposes of this Section 4.10.

SECTION 4.11. Reserved

SECTION 4.12. Further Assurances. Upon the request of the Issuer, the Seller shall execute and deliver such further instruments and do such further acts as may be reasonably necessary to carry out the provisions and purposes of this Sale Agreement.

SECTION 4.13. Intercreditor Agreement. The Seller shall not continue as or become a party to any (i) trade receivables purchase and sale agreement or similar arrangement under which it sells all or any portion of its accounts receivables owing from Florida electric distribution customers unless the Indenture Trustee, the Seller and the other parties to such additional arrangement shall have entered into the Intercreditor Agreement in connection therewith and the terms of the documentation evidencing such trade receivables purchase and sale arrangement or similar arrangement shall expressly exclude Nuclear Asset-Recovery Property (including Nuclear Asset-Recovery Charges) from any receivables or other assets pledged or sold under such arrangement or (ii) sale agreement selling to any other Affiliate property consisting of charges similar to the nuclear asset-recovery charges sold pursuant to this Sale Agreement, payable by Customers pursuant to the Nuclear Asset-Recovery Law or any similar law, unless the Seller and the other parties to such arrangement shall have entered into the Intercreditor Agreement in connection with any agreement or similar arrangement described in this Section 4.13.

ARTICLE V
THE SELLER

SECTION 5.01. Liability of Seller; Indemnities.

(a) The Seller shall be liable in accordance herewith only to the extent of the obligations specifically undertaken by the Seller under this Sale Agreement.

(b) The Seller shall indemnify the Issuer and the Indenture Trustee (for the benefit of the Secured Parties) and each of their respective officers, directors, employees, trustees, managers and agents for, and defend and hold harmless each such Person from and against, any and all taxes (other than taxes imposed on Holders as a result of their ownership of a Nuclear Asset-Recovery Bond) that may at any time be imposed on or asserted against any such Person as a result of the sale of the Nuclear Asset-Recovery Property to the Issuer, including any franchise, sales, gross receipts, general corporation, tangible personal property, privilege or license taxes, but excluding any taxes imposed as a result of a failure of such Person to withhold or remit taxes with respect to payments on any Nuclear Asset-Recovery Bond, it being understood that the Holders shall be entitled to enforce their rights against the Seller under this Section 5.01(b) solely through a cause of action brought for their benefit by the Indenture Trustee.

(c) The Seller shall indemnify the Issuer and the Indenture Trustee (for the benefit of the Secured Parties) and each of their respective officers, directors, employees, trustees, managers and agents for, and defend and hold harmless each such Person from and against, any and all taxes (other than taxes imposed on Holders as a result of their ownership of a Nuclear Asset-Recovery Bond) that may at any time be imposed on or asserted against any such Person as a result of the Issuer's ownership and assignment of the Nuclear Asset-Recovery Property, the issuance and sale by the Issuer of the Nuclear Asset-Recovery Bonds or the other transactions contemplated in the Basic Documents, including any franchise, sales, gross receipts, general corporation, tangible personal property, privilege or license taxes, but excluding any taxes imposed as a result of a failure of such Person to withhold or remit taxes with respect to payments on any Nuclear Asset-Recovery Bond.

(d) The Seller shall indemnify the Issuer, the Indenture Trustee (for the benefit of the Secured Parties) and each of their respective officers, directors, employees and agents for, and defend and hold harmless each such Person from and against, all Losses that may be imposed on, incurred by or asserted against each such Person, in each such case, as a result of the Seller's breach of any of its representations, warranties or covenants contained in this Sale Agreement.

(e) Indemnification under Section 5.01(b), Section 5.01(c), Section 5.01(d) and Section 5.01(f) shall include reasonable out-of-pocket fees and expenses of investigation and litigation (including reasonable attorneys' fees and expenses), except as otherwise expressly provided in this Sale Agreement.

(f) The Seller shall indemnify the Indenture Trustee (for itself) and each Independent Manager, and any of their respective officers, directors, employees and agents (each, an

"Indemnified Person"), for, and defend and hold harmless each such Person from and against, any and all Losses incurred by any of such Indemnified Persons as a result of the Seller's breach of any of its representations and warranties or covenants contained in this Sale Agreement, except to the extent of Losses either resulting from the willful misconduct, bad faith or gross negligence of such Indemnified Person or resulting from a breach of a representation or warranty made by such Indemnified Person in any of the Basic Documents that gives rise to the Seller's breach. The Seller shall not be required to indemnify an Indemnified Person for any amount paid or payable by such Indemnified Person in the settlement of any action, proceeding or investigation without the prior written consent of the Seller, which consent shall not be unreasonably withheld. Promptly after receipt by an Indemnified Person of notice of the commencement of any action, proceeding or investigation, such Indemnified Person shall, if a claim in respect thereof is to be made against the Seller under this Section 5.01(f), notify the Seller in writing of the commencement thereof. Failure by an Indemnified Person to so notify the Seller shall relieve the Seller from the obligation to indemnify and hold harmless such Indemnified Person under this Section 5.01(f) only to the extent that the Seller suffers actual prejudice as a result of such failure. With respect to any action, proceeding or investigation brought by a third party for which indemnification may be sought under this Section 5.01(f), the Seller shall be entitled to conduct and control, at its expense and with counsel of its choosing that is reasonably satisfactory to such Indemnified Person, the defense of any such action, proceeding or investigation (in which case the Seller shall not thereafter be responsible for the fees and expenses of any separate counsel retained by the Indemnified Person except as set forth below); provided, that the Indemnified Person shall have the right to participate in such action, proceeding or investigation through counsel chosen by it and at its own expense. Notwithstanding the Seller's election to assume the defense of any action, proceeding or investigation, the Indemnified Person shall have the right to employ separate counsel (including local counsel), and the Seller shall bear the reasonable fees, costs and expenses of such separate counsel if (i) the defendants in any such action include both the Indemnified Person and the Seller and the Indemnified Person shall have reasonably concluded that there may be legal defenses available to it that are different from or additional to those available to the Seller, (ii) the Seller shall not have employed counsel reasonably satisfactory to the Indemnified Person to represent the Indemnified Person within a reasonable time after notice of the institution of such action, (iii) the Seller shall authorize the Indemnified Person to employ separate counsel at the expense of the Seller or (iv) in the case of the Indenture Trustee, such action exposes the Indenture Trustee to a material risk of criminal liability or forfeiture or a Servicer Default has occurred and is continuing. Notwithstanding the foregoing, the Seller shall not be obligated to pay for the fees, costs and expenses of more than one separate counsel for the Indemnified Persons other than one local counsel, if appropriate.

(g) The Seller shall indemnify the Servicer (if the Servicer is not the Seller) for the costs of any action instituted by the Servicer pursuant to Section 5.02(d) of the Servicing Agreement that are not paid as Operating Expenses in accordance with the priorities set forth in Section 8.02(e) of the Indenture.

(h) The remedies provided in this Sale Agreement are the sole and exclusive remedies against the Seller for breach of its representations and warranties in this Sale Agreement.

(i) If the Seller remains an entity subject to the Commission's regulatory authority as a public utility (or otherwise for ratemaking purposes), the Seller acknowledges and agrees that the Commission may, subject to the outcome of an appropriate Commission proceeding, take such action as it deems necessary or appropriate under its regulatory authority to require the Seller to make Customers whole for any Losses they incur by reason of

(i) any failure of the Seller's material representations or warranties set forth in this Agreement (other than the Seller's representations and warranties set forth in Section 3.08(d), Section 3.08(e) and Section 3.08(g)), or

(ii) any material breach of the Seller's covenants contained in this Agreement (other than the Seller's covenant set forth in the third sentence of Section 4.07),

including in each case (without limitation) Losses attributable to higher Nuclear Asset-Recovery Charges imposed on Customers. The Seller acknowledges and agrees that such action by the Commission may include, but is not limited to, adjustments to the Seller's other regulated rates and charges or credits to Customers.

(j) If the Seller does not remain an entity subject to the Commission's regulatory authority as a public utility (or otherwise for ratemaking purposes), the Seller shall indemnify the Commission, on behalf of Customers, for any Losses Customers incur by reason of

(i) any failure of the Seller's material representations or warranties set forth in this Agreement (other than the Seller's representations and warranties set forth in Section 3.08(d), Section 3.08(e) and Section 3.08(g)), or

(ii) any material breach of the Seller's covenants contained in this Agreement (other than the Seller's covenant set forth in the third sentence of Section 4.07),

including without limitation Losses attributable to higher Nuclear Asset-Recovery Charges imposed on Customers.

(k) Indemnification under this Section 5.01 shall survive any repeal of, modification of, or supplement to, or judicial invalidation of, the Nuclear Asset-Recovery Law or the Financing Order and shall survive the resignation or removal of the Indenture Trustee or the termination of this Sale Agreement and will rank in priority with other general, unsecured obligations of the Seller. The Seller shall not indemnify any party under this Section 5.01 for any changes in law after the Closing Date, whether such changes in law are effected by means of any legislative enactment, any constitutional amendment or any final and non-appealable judicial decision.

SECTION 5.02. Merger, Conversion or Consolidation of, or Assumption of the Obligations of, Seller. Any Person (a) into which the Seller may be merged, converted or consolidated, (b) that may result from any merger, conversion or consolidation to which the Seller shall be a party, (c) that may succeed to the electric distribution properties and assets of the Seller substantially as a whole or (d) that otherwise succeeds to all or substantially all of the electric distribution assets of the Seller (a "Permitted Successor"), and which Person in any of the foregoing cases executes an agreement of assumption to perform all of the obligations of the Seller hereunder (including the Seller's obligations under Section 5.01 incurred at any time prior to or after the date of such assumption), shall be the successor to the Seller under this Sale Agreement without further act on the part of any of the parties to this Sale Agreement; provided, however, that (i) immediately after giving effect to such transaction, no representation, warranty or covenant made pursuant to Article III or Article IV shall be breached and no Servicer Default, and no event that, after notice or lapse of time, or both, would become a Servicer Default, shall have occurred and be continuing, (ii) the Seller shall have delivered to the Issuer, the Indenture Trustee and each Rating Agency an Officer's Certificate and an Opinion of Counsel from external counsel stating that such consolidation, conversion, merger or succession and such agreement of assumption comply with this Section 5.02 and that all conditions precedent, if any, provided for in this Sale Agreement relating to such transaction have been complied with, (iii) the Seller shall have delivered to the Issuer, the Indenture Trustee and each Rating Agency an Opinion of Counsel from external counsel of the Seller either (A) stating that, in the opinion of such counsel, all filings to be made by the Seller and the Issuer, including any filings with the Commission pursuant to the Nuclear Asset-Recovery Law, have been authorized, executed and filed that are necessary to fully preserve and protect the respective interest of the Issuer and the Indenture Trustee in all of the Nuclear Asset-Recovery Property and reciting the details of such filings, or (B) stating that, in the opinion of such counsel, no such action shall be necessary to preserve and protect such interests, (iv) the Seller shall have delivered to the Issuer, the Indenture Trustee and the Rating Agencies an Opinion of Counsel from external tax counsel stating that, for U.S. federal income tax purposes, such consolidation, conversion, merger or succession and such agreement of assumption will not result in a material U.S. federal income tax consequence to the Issuer or the Holders of Nuclear Asset-Recovery Bonds and (v) the Seller shall have given the Rating Agencies prior written notice of such transaction. When any Person (or more than one Person) acquires the properties and assets of the Seller substantially as a whole or otherwise becomes the successor, whether by merger, conversion, consolidation, sale, transfer, lease, management contract or otherwise, to all or substantially all of the assets of the Seller in accordance with the terms of this Section 5.02, then, upon satisfaction of all of the other conditions of this Section 5.02, the preceding Seller shall automatically and without further notice be released from all of its obligations hereunder.

SECTION 5.03. Limitation on Liability of Seller and Others. The Seller and any director, officer, employee or agent of the Seller may rely in good faith on the advice of counsel or on any document of any kind, prima facie properly executed and submitted by any Person, respecting any matters arising hereunder. Subject to Section 4.07, the Seller shall not be under any obligation to appear in, prosecute or defend any legal action that is not incidental to its

obligations under this Sale Agreement and that in its opinion may involve it in any expense or liability.

ARTICLE VI
MISCELLANEOUS PROVISIONS

SECTION 6.01. Amendment.

(a) Subject to Section 6.01(b), this Sale Agreement may be amended in writing by the Seller and the Issuer with (a) the prior written consent of the Indenture Trustee, (b) the satisfaction of the Rating Agency Condition and (c) if any amendment would adversely affect in any material respect the interest of any Holder of the Nuclear Asset-Recovery Bonds, the consent of a majority of the Holders of each affected Tranche of Nuclear Asset-Recovery Bonds. In determining whether a majority of Holders have consented, Nuclear Asset-Recovery Bonds owned by the Issuer or any Affiliate of the Issuer shall be disregarded, except that, in determining whether the Indenture Trustee shall be protected in relying upon any such consent, the Indenture Trustee shall only be required to disregard any Nuclear Asset-Recovery Bonds it actually knows to be so owned. Promptly after the execution of any such amendment or consent, the Issuer shall furnish copies of such amendment or consent to each of the Rating Agencies.

Prior to the execution of any amendment to this Sale Agreement, the Issuer and the Indenture Trustee shall be entitled to receive and rely upon (i) an Opinion of Counsel, which counsel may be an employee of or counsel to the Issuer or the Seller and which shall be reasonably satisfactory to the Indenture Trustee, or, in the Indenture Trustee's sole judgment, external counsel of the Seller stating that the execution of such amendment is authorized and permitted by this Sale Agreement and that all conditions precedent provided for in this Sale Agreement relating to such amendment have been complied with and (ii) the Opinion of Counsel referred to in Section 3.01(c)(i) of the Servicing Agreement. The Issuer and the Indenture Trustee may, but shall not be obligated to, enter into any such amendment that affects the Indenture Trustee's own rights, duties or immunities under this Sale Agreement or otherwise.

(b) Notwithstanding anything to the contrary in this Section 6.01, no amendment or modification of this Agreement shall be effective except upon satisfaction of the conditions precedent in this paragraph (b).

(i) At least 15 days prior to the effectiveness of any such amendment or modification and after obtaining the other necessary approvals set forth in Section 6.01(a) (except that the consent of the Indenture Trustee may be subject to the consent of the Holders if such consent is required or sought by the Indenture Trustee in connection with such amendment or modification) the Seller shall have delivered to the Commission's [executive director and general counsel] written notification of any proposed amendment, which notification shall contain:

A. a reference to Docket No. [ ];

B. an Officer's Certificate stating that the proposed amendment or modification has been approved by all parties to this Sale Agreement; and

C. a statement identifying the person to whom the Commission is to address any response to the proposed amendment or to request additional time.

(ii) If the Commission or an authorized representative of the Commission, within 15 days (subject to extension as provided in clause (iii)) of receiving a notification complying with subparagraph (i), shall have delivered to the office of the person specified in clause (i)(C) a written statement that the Commission might object to the proposed amendment or modification, then, except as provided in clause (iv) below, such proposed amendment or modification shall not be effective unless and until the Commission subsequently delivers a written statement that it does not object to such proposed amendment or modification; or

(iii) If the Commission or an authorized representative of the Commission, within 15 days of receiving a notification complying with subparagraph (i), shall have delivered to the office of the person specified in clause (i)(C) a written statement requesting an additional amount of time not to exceed thirty days in which to consider such proposed amendment or modification, then such proposed amendment or modification shall not be effective if, within such extended period, the Commission shall have delivered to the office of the person specified in clause (i)(C) a written statement as described in subparagraph (ii), unless and until the Commission subsequently delivers a written statement that it does not object to such proposed amendment or modification.

(iv) If (A) the Commission or an authorized representative of the Commission, shall not have delivered written notice that the Commission might object to such proposed amendment or modification within the time periods described in subparagraphs (ii) or (iii), whichever is applicable, or (B) the Commission or authorized representative of the Commission, has delivered such written notice but does not within 60 days of the delivery of the notification in (a) above, provide subsequent written notice confirming that it does in fact object and the reasons therefore or advise that it has initiated a proceeding to determine what action it might take with respect to the matter, then the Commission shall be conclusively deemed not to have any objection to the proposed amendment or modification and such amendment or modification may subsequently become effective upon satisfaction of the other conditions specified in Section 6.01(a).

(v) Following the delivery of a statement from the Commission or an authorized representative of the Commission to the Seller under subparagraph (ii), the

Seller and the Issuer shall have the right at any time to withdraw from the Commission further consideration of any proposed amendment.

(c) For the purpose of this Section 6.01, an "authorized representative of the Commission" means any person authorized to act on behalf of the Commission, as evidenced by an Opinion of Counsel (which may be the general counsel) to the Commission.

SECTION 6.02. Notices. Any notice, report or other communication given hereunder shall be in writing and shall be effective (i) upon receipt when sent through the mails, registered or certified mail, return receipt requested, postage prepaid, with such receipt to be effective the date of delivery indicated on the return receipt, (ii) upon receipt when sent by an overnight courier, (iii) on the date personally delivered to an authorized officer of the party to which sent or (iv) on the date transmitted by facsimile or other electronic transmission with a confirmation of receipt in all cases, addressed as follows:

(a) in the case of the Seller, to Duke Energy Florida, at 299 First Avenue North, St. Petersburg, Florida 33701, Attention: [ ], Telephone: [ ], Facsimile: [ ] in care of (c/o): [ ];

(b) in the case of the Issuer, to [DEF SPE] LLC, at 299 First Avenue North, St. Petersburg, Florida 33701, Attention: [ ], Telephone: [ ], Facsimile: [ ] in care of (c/o): [ ];

(c) in the case of the Indenture Trustee, to the Corporate Trust Office;

(d) [in the case of Fitch, to Fitch Ratings, 33 Whitehall Street, New York, New York 10004, Attention: ABS Surveillance, Telephone: (212) 908-0500, Facsimile: (212) 908-0355;]

(e) in the case of Moody's, to Moody's Investors Service, Inc., ABS/RMBS Monitoring Department, 25th Floor, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007, Email: servicerreports@moodys.com (all such notices to be delivered to Moody's in writing by email);

(f) in the case of S&P, to Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business, Structured Credit Surveillance, 55 Water Street, New York, New York 10041, Telephone: (212) 438-8991, Email: servicer_reports@standardandpoors.com (all such notices to be delivered to S&P in writing by email); and

(g) in the case of the Commission, at Florida Public Service Commission, 2450 Shumard Oak Blvd., Tallahassee, Florida 32399-0850, Attention: [Executive Director and General Counsel].

Each party hereto may, by notice given in accordance herewith to the other party or parties hereto, designate any further or different address to which subsequent notices, reports and other communications shall be sent.

SECTION 6.03. Assignment. Notwithstanding anything to the contrary contained herein, except as provided in Section 5.02, this Sale Agreement may not be assigned by the Seller.

SECTION 6.04. Limitations on Rights of Third Parties. The provisions of this Sale Agreement are solely for the benefit of the Seller, the Issuer, the Commission (on behalf of itself and Customers) the Indenture Trustee (for the benefit of the Secured Parties) and the other Persons expressly referred to herein, and such Persons shall have the right to enforce the relevant provisions of this Sale Agreement. Nothing in this Sale Agreement, whether express or implied, shall be construed to give to any other Person any legal or equitable right, remedy or claim in the Nuclear Asset-Recovery Property or under or in respect of this Sale Agreement or any covenants, conditions or provisions contained herein.

SECTION 6.05. Severability. Any provision of this Sale Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remainder of such provision (if any) or the remaining provisions hereof (unless such construction shall be unreasonable), and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

SECTION 6.06. Separate Counterparts. This Sale Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

SECTION 6.07. Governing Law. **This Sale Agreement shall be construed in accordance with the laws of the State of Florida, without reference to its conflict of law provisions, and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with such laws.**

SECTION 6.08. Assignment to Indenture Trustee. The Seller hereby acknowledges and consents to any mortgage, pledge, assignment and grant of a security interest by the Issuer to the Indenture Trustee pursuant to the Indenture for the benefit of the Secured Parties of all right, title and interest of the Issuer in, to and under this Sale Agreement, the Nuclear Asset-Recovery Property and the proceeds thereof and the assignment of any or all of the Issuer's rights hereunder to the Indenture Trustee for the benefit of the Secured Parties.

SECTION 6.09. Limitation of Liability. It is expressly understood and agreed by the parties hereto that this Sale Agreement is executed and delivered by the Indenture Trustee, not individually or personally but solely as Indenture Trustee on behalf of the Secured Parties, in the exercise of the powers and authority conferred and vested in it. The Indenture Trustee in acting hereunder is entitled to all rights, benefits, protections, immunities and indemnities accorded to it under the Indenture.

SECTION 6.10. Waivers. Any term or provision of this Sale Agreement may be waived, or the time for its performance may be extended, by the party or parties entitled to the benefit thereof; provided, however, that no such waiver delivered by the Issuer shall be effective unless the Indenture Trustee has given its prior written consent thereto. Any such waiver shall be validly and sufficiently authorized for the purposes of this Sale Agreement if, as to any party, it is authorized in writing by an authorized representative of such party, with prompt written notice of any such waiver to be provided to the Rating Agencies. The failure of any party hereto to enforce at any time any provision of this Sale Agreement shall not be construed to be a waiver of such provision, nor in any way to affect the validity of this Sale Agreement or any part hereof or the right of any party thereafter to enforce each and every such provision. No waiver of any breach of this Sale Agreement shall be held to constitute a waiver of any other or subsequent breach.

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IN WITNESS WHEREOF, the parties hereto have caused this Sale Agreement to be duly executed by their respective officers as of the day and year first above written.

[DEF SPE LLC],
as Issuer

By:_____
Name:
Title:

DUKE ENERGY FLORIDA, INC.,
as Seller

By:_____
Name:
Title:

ACKNOWLEDGED AND ACCEPTED:

THE BANK OF NEW YORK MELLON,
as Indenture Trustee

By:_____
Name:
Title:

EXHIBIT A

FORM OF BILL OF SALE

See attached.

BILL OF SALE

This Bill of Sale is being delivered pursuant to the Nuclear Asset-Recovery Property Purchase and Sale Agreement, dated as of [, 20] (the "Sale Agreement"), by and between Duke Energy Florida, Inc. (the "Seller") and [DEF SPE] LLC (the "Issuer"). All capitalized terms used but not otherwise defined herein shall have the respective meanings ascribed to such terms in the Sale Agreement.

In consideration of the Issuer's delivery to or upon the order of the Seller of $[ ], the Seller does hereby irrevocably sell, transfer, assign, set over and otherwise convey to the Issuer, without recourse or warranty, except as set forth in the Sale Agreement, all right, title and interest of the Seller in and to the Nuclear Asset-Recovery Property created or arising under the Financing Order dated [, 20] issued by the Florida Public Service Commission under the Nuclear Asset-Recovery Law (such sale, transfer, assignment, setting over and conveyance of the Nuclear Asset-Recovery Property includes, to the fullest extent permitted by the Nuclear Asset-Recovery Law, the rights and interests of the Seller under the Financing Order, including the right of the Seller and any Successor or assignee of the Seller to impose, bill, collect and receive Nuclear Asset-Recovery Charges, the right to obtain True-Up Adjustments and all revenue, collections, claims, rights to payments, payments, moneys and proceeds arising out of the rights and interests created under the Financing Order. Such sale, transfer, assignment, setting over and conveyance is hereby expressly stated to be a sale or other absolute transfer and, pursuant to Section 366.95(5)(c)1. of the Nuclear Asset-Recovery Law, shall be treated as a true sale and not as a pledge of or secured transaction relating to the Seller's right, title, and interest in, to, and under the Nuclear Asset-Recovery Property. The Seller and the Issuer agree that after giving effect to the sale, transfer, assignment, setting over and conveyance contemplated hereby the Seller has no right, title or interest in, to, or under the Nuclear Asset-Recovery Property to which a security interest could attach because (i) it has sold, transferred, assigned, set over and conveyed all right, title and interest in and to the Nuclear Asset-Recovery Property to the Issuer, (ii) as provided in Section 366.95(5)(c)1. of the Nuclear Asset-Recovery Law, legal and equitable title shall have passed to the Issuer and (iii) as provided in Section 366.95(5)(c)4. of the Nuclear Asset-Recovery Law, appropriate financing statements have been filed and such transfer is perfected against all third parties, including subsequent judicial or other lien creditors. If such sale, transfer, assignment, setting over and conveyance is held by any court of competent jurisdiction not to be a true sale as provided in Section 366.95(5)(c)1. of the Nuclear Asset-Recovery Law, then such sale, transfer, assignment, setting over and conveyance shall be treated as a pledge of the Nuclear Asset-Recovery Property and as the creation of a security interest (within the meaning of the Nuclear Asset-Recovery Law and the UCC) in the Nuclear Asset-Recovery Property and, without prejudice to its position that it has absolutely transferred all of its rights in the Nuclear Asset-Recovery Property to the Issuer, the Seller hereby grants a security interest in the Nuclear Asset-Recovery Property to the Issuer (and to the Indenture Trustee for the benefit of the Secured Parties) to secure their respective rights under the Basic Documents to receive the Nuclear Asset-Recovery Charges and all other Nuclear Asset-Recovery Property.

The Issuer does hereby purchase the Nuclear Asset-Recovery Property from the Seller for the consideration set forth in the preceding paragraph.

Each of the Seller and the Issuer acknowledges and agrees that the purchase price for the Nuclear Asset-Recovery Property sold pursuant to this Bill of Sale and the Sale Agreement is equal to its fair market value at the time of sale.

The Seller confirms that (i) each of the representations and warranties on the part of the Seller contained in the Sale Agreement are true and correct in all respects on the date hereof as if made on the date hereof and (ii) each condition precedent that must be satisfied under Section 2.02 of the Sale Agreement has been satisfied upon or prior to the execution and delivery of this Bill of Sale by the Seller.

This Bill of Sale may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

This Bill of Sale shall be construed in accordance with the laws of the State of Florida, without reference to its conflict of law provisions, and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with such law.

IN WITNESS WHEREOF, the Seller and the Issuer have duly executed this Bill of Sale as of this [ ] day of [ ], 20[ ].

[DEF SPE] LLC,
as Issuer

By:_____
Name:
Title:

DUKE ENERGY FLORIDA, INC.,
as Seller

By:_____
Name:
Title:

APPENDIX A

DEFINITIONS AND RULES OF CONSTRUCTION

A. Defined Terms. The following terms have the following meanings:

"17g-5 Website" is defined in Section 10.18(a) of the Indenture.

"Account Records" is defined in Section 1(a)(i) of the Administration Agreement.

"Act" is defined in Section 10.03(a) of the Indenture.

"Administration Agreement" means the Administration Agreement, dated as of the Closing Date, by and between Duke Energy Florida and the Issuer.

"Administration Fee" is defined in Section 2 of the Administration Agreement.

"Administrator" means Duke Energy Florida, as Administrator under the Administration Agreement, or any successor Administrator to the extent permitted under the Administration Agreement.

"AES" means an alternative energy supplier which is authorized by law to sell electric service to a customer using the transmission or distribution system of Duke Energy Florida.

"Affiliate" means, with respect to any specified Person, any other Person controlling or controlled by or under common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such specified Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Amendatory Schedule" means a revision to service riders or any other notice filing filed with the Commission in respect of the Nuclear Asset-Recovery Rate Schedule pursuant to a True-Up Adjustment.

"Annual Accountant's Report" is defined in Section 3.04(a) of the Servicing Agreement.

"Authorized Denomination" means, with respect to any Nuclear Asset-Recovery Bond, the authorized denomination therefor specified in the Series Supplement, which shall be at least $100,000 and, except as otherwise provided in the Series Supplement, integral multiples of $1,000 in excess thereof.

"Bankruptcy Code" means Title 11 of the United States Code (11 U.S.C. §§ 101 et seq.).

"Basic Documents" means the Indenture, the Administration Agreement, the Sale Agreement, the Bill of Sale, the Certificate of Formation, the LLC Agreement, the Servicing Agreement, the Series Supplement, the Intercreditor Agreement, the Letter of Representations, the Underwriting Agreement and all other documents and certificates delivered in connection therewith.

"Bill of Sale" means a bill of sale substantially in the form of Exhibit A to the Sale Agreement delivered pursuant to Section 2.02(a) of the Sale Agreement.

"Billed Nuclear Asset-Recovery Charges" means the amounts of Nuclear Asset-Recovery Charges billed by the Servicer.

"Billing Period" means the period created by dividing the calendar year into 12 consecutive periods of approximately[21] Servicer Business Days.

"Bills" means each of the regular monthly bills, summary bills, opening bills and closing bills issued to Customers by Duke Energy Florida in its capacity as Servicer.

"Bond Interest Rate" means, with respect to any Tranche of Nuclear Asset-Recovery Bonds, the rate at which interest accrues on the Nuclear Asset-Recovery Bonds of such Tranche, as specified in the Series Supplement.

"Book-Entry Form" means, with respect to any Nuclear Asset-Recovery Bond, that such Nuclear Asset-Recovery Bond is not certificated and the ownership and transfers thereof shall be made through book entries by a Clearing Agency as described in Section 2.11 of the Indenture and the Series Supplement pursuant to which such Nuclear Asset-Recovery Bond was issued.

"Book-Entry Nuclear Asset-Recovery Bonds" means any Nuclear Asset-Recovery Bonds issued in Book-Entry Form; provided, however, that, after the occurrence of a condition whereupon book-entry registration and transfer are no longer permitted and Definitive Nuclear Asset-Recovery Bonds are to be issued to the Holder of such Nuclear Asset-Recovery Bonds, such Nuclear Asset-Recovery Bonds shall no longer be "Book-Entry Nuclear Asset-Recovery Bonds".

"Business Day" means any day other than a Saturday, a Sunday or a day on which banking institutions in St. Petersburg, Florida, Charlotte, North Carolina or New York, New York are, or DTC or the Corporate Trust Office is, authorized or obligated by law, regulation or executive order to be closed.

"Calculation Period" means, with respect to any True-Up Adjustment, the period comprised of the [12] consecutive Collection Periods beginning with the Collection Period in which such True-Up Adjustment would go into effect; provided, that, in the case of any True-Up Adjustment that would go into effect after the date that is 12 months prior to the last Scheduled Final Payment Date, the Calculation Period shall begin on the date the True-Up Adjustment

would go into effect and end on the Payment Date following such True-Up Adjustment date; provided, further, that, for the purpose of calculating the first Periodic Payment Requirement as of the Closing Date, "Calculation Period" means, initially, the period commencing on the Closing Date and ending on the last day of the billing cycle of [ ].

"Capital Contribution" means the amount of case contributed to the Issuer by Duke Energy Florida as specified in the LLC Agreement.

"Capital Subaccount" is defined in Section 8.02(a) of the Indenture.

"Capital Subaccount Investment Earnings" shall mean, for any Payment Date with respect to any Calculation Period, the sum of (a) an amount equal to investment earnings since the previous Payment Date (or, in the case of the first Payment Date, since the Closing Date) on the initial amount deposited by Duke Energy Florida in the Capital Subaccount plus (b) any such amounts not paid on any prior Payment Date.

"Certificate of Compliance" means the certificate referred to in Section 3.03 of the Servicing Agreement and substantially in the form of Exhibit E to the Servicing Agreement.

"Certificate of Formation" means the Certificate of Formation filed with the Secretary of State of the State of Delaware on [, 20] pursuant to which the Issuer was formed.

"Claim" means a "claim" as defined in Section 101(5) of the Bankruptcy Code.

"Clearing Agency" means an organization registered as a "clearing agency" pursuant to Section 17A of the Exchange Act.

"Clearing Agency Participant" means a securities broker, dealer, bank, trust company, clearing corporation or other financial institution or other Person for whom from time to time a Clearing Agency effects book entry transfers and pledges of securities deposited with such Clearing Agency.

"Closing Date" means [, 20], the date on which the Nuclear Asset-Recovery Bonds are originally issued in accordance with Section 2.10 of the Indenture and the Series Supplement.

"Code" means the Internal Revenue Code of 1986.

"Collection Account" is defined in Section 8.02(a) of the Indenture.

"Collection in Full of the Nuclear Asset-Recovery Charges" means the day on which the aggregate amounts on deposit in the General Subaccount and the Excess Funds Subaccount are sufficient to pay in full all the Outstanding Nuclear Asset-Recovery Bonds and to replenish any shortfall in the Capital Subaccount.

"Collection Period" means any period commencing on the first Servicer Business Day of any Billing Period and ending on the last Servicer Business Day of such Billing Period.

"Commission" means the Florida Public Service Commission.

"Commission Condition" means the satisfaction of any precondition to any amendment or modification to or action under any Basic Documents through the obtaining of Commission consent or acquiescence, as described in the related Basic Document.

"Commission Regulations" means any regulations, including temporary regulations, promulgated by the Commission pursuant to Florida law.

"Company Minutes" is defined in Section 1(a)(iv) of the Administration Agreement.

"Corporate Trust Office" means the office of the Indenture Trustee at which, at any particular time, its corporate trust business shall be administered, which office as of the Closing Date is located at [101 Barclay Street, 7 East, New York, New York 10286, Attention: Asset Backed Securities Unit, Telephone: (212) 815-5331, Facsimile: (212) 815-2830], or at such other address as the Indenture Trustee may designate from time to time by notice to the Holders of Nuclear Asset-Recovery Bonds and the Issuer, or the principal corporate trust office of any successor trustee designated by like notice.

"Covenant Defeasance Option" is defined in Section 4.01(b) of the Indenture.

"Customer" means any existing or future customer receiving transmission or distribution service from Duke Energy Florida or its successors or assignees under Commission-approved rate schedules or under special contracts[, even if such customer elects to purchase electricity from an AES following a fundamental change in regulation of public utilities in Florida].

"Daily Remittance" is defined in Section 6.11(a) of the Servicing Agreement.

"Default" means any occurrence that is, or with notice or the lapse of time or both would become, an Event of Default.

"Definitive Nuclear Asset-Recovery Bonds" is defined in Section 2.11 of the Indenture.

"Delaware UCC" means the Uniform Commercial Code as in effect on the Closing Date in the State of Delaware.

"DTC" means The Depository Trust Company.

"Duke Energy Florida" means Duke Energy Florida, Inc., a Florida corporation.

"Eligible Account" means a segregated non-interest-bearing trust account with an Eligible Institution.

"Eligible Institution" means:

(a) the corporate trust department of the Indenture Trustee, so long as any of the securities of the Indenture Trustee has a credit rating from each Rating Agency in one of its generic rating categories that signifies investment grade; or

(b) a depository institution organized under the laws of the United States of America or any State (or any domestic branch of a foreign bank) (i) that has either (A) a long-term issuer rating of "AA-" or higher by S&P and "A2" or higher by Moody's or (B) a short-term issuer rating of "A-1+" or higher by S&P and "P-1" or higher by Moody's or any other long-term, short-term or certificate of deposit rating acceptable to the Rating Agencies, and (ii) whose deposits are insured by the Federal Deposit Insurance Corporation.

If so qualified under clause (b) of this definition, the Indenture Trustee may be considered an Eligible Institution for the purposes of clause (a) of this definition.

"Eligible Investments" means instruments or investment property that evidence:

(a) direct obligations of, or obligations fully and unconditionally guaranteed as to timely payment by, the United States of America;

(b) demand or time deposits of, unsecured certificates of deposit of, money market deposit accounts of, or bankers' acceptances issued by, any depository institution (including the Indenture Trustee, acting in its commercial capacity) incorporated or organized under the laws of the United States of America or any State thereof and subject to supervision and examination by U.S. federal or state banking authorities, so long as the commercial paper or other short-term debt obligations of such depository institution are, at the time of deposit, rated at least "A-1" and "P-1" or their equivalents by each of S&P and Moody's [and, if Fitch provides ratings thereon by Fitch], or such lower rating as will not result in the downgrading or withdrawal of the ratings of the Nuclear Asset-Recovery Bonds;

(c) commercial paper (including commercial paper of the Indenture Trustee, acting in its commercial capacity, and other than commercial paper of Duke Energy Florida or any of its Affiliates), which at the time of purchase is rated at least "A-1" and "P-1" or their equivalents by each of S&P and Moody's or such lower rating as will not result in the downgrading or withdrawal of the ratings of the Nuclear Asset-Recovery Bonds;

(d) investments in money market funds having a rating in the highest investment category granted thereby (including funds for which the Indenture Trustee or

any of its Affiliates is investment manager or advisor) from Moody's, S&P [and Fitch, if rated by Fitch];

(e) repurchase obligations with respect to any security that is a direct obligation of, or fully guaranteed by, the United States of America or its agencies or instrumentalities, entered into with Eligible Institutions;

(f) repurchase obligations with respect to any security or whole loan entered into with an Eligible Institution or with a registered broker/dealer acting as principal and that meets the ratings criteria set forth below:

(i) a broker/dealer (acting as principal) registered as a broker or dealer under Section 15 of the Exchange Act (any such broker/dealer being referred to in this definition as a "broker/dealer"), the unsecured short-term debt obligations of which are rated at least "P-1" by Moody's, "A-1+" by S&P [and, if Fitch provides a rating thereon, "F-1+" by Fitch] at the time of entering into such repurchase obligation; or

(ii) an unrated broker/dealer, acting as principal, that is a wholly-owned subsidiary of a non-bank or bank holding company the unsecured short-term debt obligations of which are rated at least "P-1" by Moody's, "A-1+" by S&P [and, if Fitch provides a rating thereon, "F-1+" by Fitch] at the time of purchase so long as the obligations of such unrated broker/dealer are unconditionally guaranteed by such non-bank or bank holding company; and

(g) any other investment permitted by each of the Rating Agencies;

in each case maturing not later than the Business Day preceding the next Payment Date or Special Payment Date, if applicable (for the avoidance of doubt, investments in money market funds or similar instruments that are redeemable on demand shall be deemed to satisfy the foregoing requirement). Notwithstanding the foregoing: (1) no securities or investments that mature in 30 days or more shall be "Eligible Investments" unless the issuer thereof has either a short-term unsecured debt rating of at least "P-1" from Moody's or a long-term unsecured debt rating of at least "A2" from Moody's and also has a long-term unsecured debt rating of at least "A+" from S&P; (2) no securities or investments described in clauses (b) through (d) above that have maturities of more than 30 days but less than or equal to 3 months shall be "Eligible Investments" unless the issuer thereof has a long-term unsecured debt rating of at least "A1" from Moody's and a short-term unsecured debt rating of at least "P-1" from Moody's; and (3) no securities or investments described in clauses (b) through (d) above that have maturities of more than 3 months shall be "Eligible Investments" unless the issuer thereof has a long-term unsecured debt rating of at least "Aa3" from Moody's and a short-term unsecured debt rating of at least "P1" from Moody's.

"Event of Default" is defined in Section 5.01 of the Indenture.

"Excess Funds Subaccount" is defined in Section 8.02(a) of the Indenture.

"Exchange Act" means the Securities Exchange Act of 1934.

"Expected Amortization Schedule" means, with respect to any Tranche, the expected amortization schedule related thereto set forth in the Series Supplement.

"Federal Book-Entry Regulations" means 31 C.F.R. Part 357 et seq. (Department of Treasury).

"Federal Funds Rate" means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published for such day (or, if such day is not a Business Day, for the preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for such day on such transactions received by the Servicer from three federal funds brokers of recognized standing selected by it.

"Final" means, with respect to the Financing Order, that the Financing Order has become final, that the Financing Order is not being appealed and that the time for filing an appeal thereof has expired.

"Final Maturity Date" means, with respect to each Tranche of Nuclear Asset-Recovery Bonds, the final maturity date therefor as specified in the Series Supplement.

"Financing Costs" means all financing costs as defined in Section 366.95(1)(e) of the Nuclear Asset-Recovery Law allowed to be recovered by Duke Energy Florida under the Financing Order.

"Financing Order" means the financing order issued by the Commission to Duke Energy Florida on [, 20], Docket No. [ ], authorizing the creation of the Nuclear Asset-Recovery Property. Duke Energy Florida unconditionally accepted all conditions and limitations requested by such order in a letter dated [, 20] from Duke Energy Florida to the Commission.

"Financing Party" means any and all of the following: the Holders, the Indenture Trustee, Duke Energy Florida, collateral agents, any party under the Basic Documents, or any other person acting for the benefit of the Holders.

["Fitch" means Fitch Ratings or any successor thereto. References to Fitch are effective so long as Fitch is a Rating Agency.]

"Florida Secured Transactions Registry" means the centralized database in which all initial financing statements, amendments, assignments, and other statements of charge authorized to be filed under Chapter 679 of the Florida statutes.

"Florida UCC" means the Uniform Commercial Code as in effect on the Closing Date in the State of Florida.

"General Subaccount" is defined in Section 8.02(a) of the Indenture.

"Global Nuclear Asset-Recovery Bond" means a Nuclear Asset-Recovery Bond to be issued to the Holders thereof in Book-Entry Form, which Global Nuclear Asset-Recovery Bond shall be issued to the Clearing Agency, or its nominee, in accordance with Section 2.11 of the Indenture and the Series Supplement.

"Governmental Authority" means any nation or government, any U.S. federal, state, local or other political subdivision thereof and any court, administrative agency or other instrumentality or entity exercising executive, legislative, judicial, regulatory or administrative functions of government.

"Grant" means mortgage, pledge, bargain, sell, warrant, alienate, remise, release, convey, grant, transfer, create, grant a lien upon, a security interest in and right of set-off against, deposit, set over and confirm pursuant to the Indenture and the Series Supplement. A Grant of the Nuclear Asset-Recovery Bond Collateral shall include all rights, powers and options (but none of the obligations) of the granting party thereunder, including the immediate and continuing right to claim for, collect, receive and give receipt for payments in respect of the Nuclear Asset-Recovery Bond Collateral and all other moneys payable thereunder, to give and receive notices and other communications, to make waivers or other agreements, to exercise all rights and options, to bring Proceedings in the name of the granting party or otherwise and generally to do and receive anything that the granting party is or may be entitled to do or receive thereunder or with respect thereto.

"Holder" means the Person in whose name a Nuclear Asset-Recovery Bond is registered on the Nuclear Asset-Recovery Bond Register.

"Indemnified Losses" is defined in Section 5.03 of the Servicing Agreement.

"Indemnified Party" is defined in Section 6.02(a) of the Servicing Agreement.

"Indemnified Person" is defined in Section 5.01(f) of the Sale Agreement.

"Indenture" means the Indenture, dated as of the Closing Date, by and between the Issuer and The Bank of New York Mellon, a New York banking corporation, as Indenture Trustee and as Securities Intermediary.

"Indenture Trustee" means The Bank of New York Mellon, a New York banking corporation, as indenture trustee for the benefit of the Secured Parties, or any successor indenture trustee for the benefit of the Secured Parties, under the Indenture.

"Independent" means, when used with respect to any specified Person, that such specified Person (a) is in fact independent of the Issuer, any other obligor on the Nuclear Asset-Recovery Bonds, the Seller, the Servicer and any Affiliate of any of the foregoing Persons, (b) does not have any direct financial interest or any material indirect financial interest in the Issuer, any such other obligor, the Seller, the Servicer or any Affiliate of any of the foregoing Persons and (c) is not connected with the Issuer, any such other obligor, the Seller, the Servicer or any Affiliate of any of the foregoing Persons as an officer, employee, promoter, underwriter, trustee, partner, director (other than as an independent director or manager) or person performing similar functions.

"Independent Certificate" means a certificate to be delivered to the Indenture Trustee under the circumstances described in, and otherwise complying with, the applicable requirements of Section 10.01 of the Indenture, made by an Independent appraiser or other expert appointed by an Issuer Order and consented to by the Indenture Trustee, and such certificate shall state that the signer has read the definition of "Independent" in the Indenture and that the signer is Independent within the meaning thereof.

"Independent Manager" is defined in Section 4.01(a) of the LLC Agreement.

"Independent Manager Fee" is defined in Section 4.01(a) of the LLC Agreement.

"Insolvency Event" means, with respect to a specified Person: (a) the filing of a decree or order for relief by a court having jurisdiction in the premises in respect of such specified Person or any substantial part of its property in an involuntary case under any applicable U.S. federal or state bankruptcy, insolvency or other similar law in effect as of the Closing Date or thereafter, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for such specified Person or for any substantial part of its property, or ordering the winding-up or liquidation of such specified Person's affairs, and such decree or order shall remain unstayed and in effect for a period of 60 consecutive days; or (b) the commencement by such specified Person of a voluntary case under any applicable U.S. federal or state bankruptcy, insolvency or other similar law in effect as of the Closing Date or thereafter, or the consent by such specified Person to the entry of an order for relief in an involuntary case under any such law, or the consent by such specified Person to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for such specified Person or for any substantial part of its property, or the making by such specified Person of any general assignment for the benefit of creditors, or the failure by such specified Person generally to pay its debts as such debts become due, or the taking of action by such specified Person in furtherance of any of the foregoing.

"Intercreditor Agreement" means [ ]

"Interim True-Up Adjustment" means either an Optional Interim True-Up Adjustment made in accordance with Section 4.01(b)(ii) of the Servicing Agreement or a Non-standard True-Up Adjustment made in accordance with Section 4.01(b)(iii) of the Servicing Agreement.

"Investment Company Act" means the Investment Company Act of 1940.

"Investment Earnings" means investment earnings on funds deposited in the Collection Account net of losses and investment expenses.

"Issuer" means [DEF SPE] LLC, a Delaware limited liability company, named as such in the Indenture until a successor replaces it and, thereafter, means the successor and, for purposes of any provision contained herein and required by the Trust Indenture Act, each other obligor on the Nuclear Asset-Recovery Bonds.

"Issuer Documents" is defined in Section 1(a)(iv) of the Administration Agreement.

"Issuer Order" means a written order signed in the name of the Issuer by any one of its Responsible Officers and delivered to the Indenture Trustee or Paying Agent, as applicable.

"Issuer Request" means a written request signed in the name of the Issuer by any one of its Responsible Officers and delivered to the Indenture Trustee or Paying Agent, as applicable.

"Legal Defeasance Option" is defined in Section 4.01(b) of the Indenture.

"Letter of Representations" means any applicable agreement between the Issuer and the applicable Clearing Agency, with respect to such Clearing Agency's rights and obligations (in its capacity as a Clearing Agency) with respect to any Book-Entry Nuclear Asset-Recovery Bonds.

"Lien" means a security interest, lien, mortgage, charge, pledge, claim or encumbrance of any kind.

"LLC Agreement" means the Amended and Restated Limited Liability Company Agreement of [DEF SPE] LLC, dated as of the Closing Date.

"Losses" means (a) any and all amounts of principal of and interest on the Nuclear Asset-Recovery Bonds not paid when due or when scheduled to be paid in accordance with their terms and the amounts of any deposits by or to the Issuer required to have been made in accordance with the terms of the Basic Documents or the Financing Order that are not made when so required and (b) any and all other liabilities, obligations, losses, claims, damages, payments, costs or expenses of any kind whatsoever.

"Manager" means each manager of the Issuer under the LLC Agreement.

"Member" has the meaning specified in the first paragraph of the LLC Agreement.

"Monthly Servicer's Certificate" is defined in Section 3.01(b)(i) of the Servicing Agreement.

"Moody's" means Moody's Investors Service, Inc.. References to Moody's are effective so long as Moody's is a Rating Agency.

"Non-standard True-Up Adjustment" means any Non-standard True-Up Adjustment made pursuant to Section 4.01(b)(iii) of the Servicing Agreement.

"NRSRO" is defined in Section 10.18(b) of the Indenture.

"Nuclear Asset-Recovery Bond Collateral" is defined in the preamble of the Indenture.

"Nuclear Asset-Recovery Bond Register" is defined in Section 2.05 of the Indenture.

"Nuclear Asset-Recovery Bond Registrar" is defined in Section 2.05 of the Indenture.

"Nuclear Asset-Recovery Bonds" means the nuclear asset-recovery bonds authorized by the Financing Order and issued under the Indenture.

"Nuclear Asset-Recovery Charge" means any nuclear asset-recovery charges as defined in Section 366.95(1)(j) of the Nuclear Asset-Recovery Law that are authorized by the Financing Order.

"Nuclear Asset-Recovery Charge Collections" means Nuclear Asset-Recovery Charges actually received by the Servicer to be remitted to the Collection Account.

"Nuclear Asset-Recovery Charge Payments" means the payments made by Customers based on the Nuclear Asset-Recovery Charges.

"Nuclear Asset-Recovery Law" means the laws of the State of Florida adopted in May 2015 enacted as Section 366.95, Florida Statutes.

"Nuclear Asset-Recovery Property" means all nuclear asset-recovery property as defined in Section 366.95(1)(l) of the Nuclear Asset-Recovery Law created pursuant to the Financing Order and under the Nuclear Asset-Recovery Law, including the right to impose, bill, collect and receive the Nuclear Asset-Recovery Charges authorized under the Financing Order and to obtain periodic adjustments of the Nuclear Asset-Recovery Charges and all revenue, collections, claims, rights to payments, payments, money, or proceeds arising from the rights and interests specified in Section 366.95(1)(l)1., regardless of whether such revenues, collections,

claims, rights to payment, payments, money, or proceeds are imposed, billed, received, collected, or maintained together with or commingled with other revenues, collections, rights to payment, payments, money, or proceeds.

"Nuclear Asset-Recovery Property Records" is defined in Section 5.01 of the Servicing Agreement.

"Nuclear Asset-Recovery Rate Class" means one of the [four] separate rate classes to whom Nuclear Asset-Recovery Charges are allocated for ratemaking purposes in accordance with the Financing Order.

"Nuclear Asset-Recovery Rate Schedule" means the Tariff sheets to be filed with the Commission stating the amounts of the Nuclear Asset-Recovery Charges, as such Tariff sheets may be amended or modified from time to time pursuant to a True-Up Adjustment.

"NY UCC" means the Uniform Commercial Code as in effect on the Closing Date in the State of New York.

"Officer's Certificate" means a certificate signed by a Responsible Officer of the Issuer under the circumstances described in, and otherwise complying with, the applicable requirements of Section 10.01 of the Indenture, and delivered to the Indenture Trustee.

"Ongoing Financing Costs" means the Financing Costs described as such in the Financing Order, including Operating Expenses and any other costs identified in the Basic Documents; provided, however, that Ongoing Financing Costs do not include the Issuer's costs of issuance of the Nuclear Asset-Recovery Bonds.

"Operating Expenses" means all unreimbursed fees, costs and out-of-pocket expenses of the Issuer, including all amounts owed by the Issuer to the Indenture Trustee (including indemnities, legal fees and expenses) or any Manager, the Servicing Fee, the Administration Fee, legal and accounting fees, Rating Agency, any Regulatory Assessment Fees and related fees (i.e. website provider fees) and any franchise or other taxes owed by the Issuer, including on investment income in the Collection Account.

"Opinion of Counsel" means one or more written opinions of counsel, who may, except as otherwise expressly provided in the Basic Documents, be employees of or counsel to the party providing such opinion of counsel, which counsel shall be reasonably acceptable to the party receiving such opinion of counsel, and shall be in form and substance reasonably acceptable to such party.

"Optional Interim True-Up Adjustment" means any Optional Interim True-Up Adjustment made pursuant to Section 4.01(b)(ii) of the Servicing Agreement.

"Outstanding" means, as of the date of determination, all Nuclear Asset-Recovery Bonds theretofore authenticated and delivered under the Indenture, except:

(a) Nuclear Asset-Recovery Bonds theretofore canceled by the Nuclear Asset-Recovery Bond Registrar or delivered to the Nuclear Asset-Recovery Bond Registrar for cancellation;

(b) Nuclear Asset-Recovery Bonds or portions thereof the payment for which money in the necessary amount has been theretofore deposited with the Indenture Trustee or any Paying Agent in trust for the Holders of such Nuclear Asset-Recovery Bonds; and

(c) Nuclear Asset-Recovery Bonds in exchange for or in lieu of other Nuclear Asset-Recovery Bonds that have been issued pursuant to the Indenture unless proof satisfactory to the Indenture Trustee is presented that any such Nuclear Asset-Recovery Bonds are held by a Protected Purchaser;

provided, that, in determining whether the Holders of the requisite Outstanding Amount of the Nuclear Asset-Recovery Bonds or any Tranche thereof have given any request, demand, authorization, direction, notice, consent or waiver under any Basic Document, Nuclear Asset-Recovery Bonds owned by the Issuer, any other obligor upon the Nuclear Asset-Recovery Bonds, the Member, the Seller, the Servicer or any Affiliate of any of the foregoing Persons shall be disregarded and deemed not to be Outstanding (unless one or more such Persons owns 100% of such Nuclear Asset-Recovery Bonds), except that, in determining whether the Indenture Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Nuclear Asset-Recovery Bonds that the Indenture Trustee actually knows to be so owned shall be so disregarded. Nuclear Asset-Recovery Bonds so owned that have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Indenture Trustee the pledgee's right so to act with respect to such Nuclear Asset-Recovery Bonds and that the pledgee is not the Issuer, any other obligor upon the Nuclear Asset-Recovery Bonds, the Member, the Seller, the Servicer or any Affiliate of any of the foregoing Persons.

"Outstanding Amount" means the aggregate principal amount of all Nuclear Asset-Recovery Bonds, or, if the context requires, all Nuclear Asset-Recovery Bonds of a Tranche, Outstanding at the date of determination.

"Paying Agent" means, with respect to the Indenture, the Indenture Trustee and any other Person appointed as a paying agent for the Nuclear Asset-Recovery Bonds pursuant to the Indenture.

"Payment Date" means, with respect to any Tranche of Nuclear Asset-Recovery Bonds, the dates specified in the Series Supplement; provided, that if any such date is not a Business Day, the Payment Date shall be the Business Day succeeding such date.

"Periodic Billing Requirement" means, for any Calculation Period, the aggregate amount of Nuclear Asset-Recovery Charges calculated by the Servicer as necessary to be billed during such period in order to collect the Periodic Payment Requirement on a timely basis.

"Periodic Interest" means, with respect to any Payment Date, the periodic interest for such Payment Date as specified in the Series Supplement.

"Periodic Payment Requirement" for any Calculation Period means the total dollar amount of Nuclear Asset-Recovery Charge Collections reasonably calculated by the Servicer in accordance with Section 4.01 of the Servicing Agreement as necessary to be received during such Calculation Period (after giving effect to the allocation and distribution of amounts on deposit in the Excess Funds Subaccount at the time of calculation and that are projected to be available for payments on the Nuclear Asset-Recovery Bonds at the end of such Calculation Period and including any shortfalls in Periodic Payment Requirements for any prior Calculation Period) in order to ensure that, as of the last Payment Date occurring in such Calculation Period, (a) all accrued and unpaid interest on the Nuclear Asset-Recovery Bonds then due shall have been paid in full on a timely basis, (b) the Outstanding Amount of the Nuclear Asset-Recovery Bonds is equal to the Projected Unpaid Balance on each Payment Date during such Calculation Period, (c) the balance on deposit in the Capital Subaccount equals the Required Capital Level and (d) all other fees and expenses due and owing and required or allowed to be paid under Section 8.02 of the Indenture as of such date shall have been paid in full; provided, that, with respect to any Semi-Annual True-Up Adjustment or Interim True-Up Adjustment occurring after the date that is one year prior to the last Scheduled Final Payment Date for the Nuclear Asset-Recovery Bonds, the Periodic Payment Requirements shall be calculated to ensure that sufficient Nuclear Asset-Recovery Charges will be collected to retire the Nuclear Asset-Recovery Bonds in full as of the next Payment Date.

"Periodic Principal" means, with respect to any Payment Date, the excess, if any, of the Outstanding Amount of Nuclear Asset-Recovery Bonds over the outstanding principal balance specified for such Payment Date on the Expected Amortization Schedule.

"Permitted Lien" means the Lien created by the Indenture.

"Permitted Successor" is defined in Section 5.02 of the Sale Agreement.

"Person" means any individual, corporation, limited liability company, estate, partnership, joint venture, association, joint stock company, trust (including any beneficiary thereof), unincorporated organization or Governmental Authority.

"Predecessor Nuclear Asset-Recovery Bond" means, with respect to any particular Nuclear Asset-Recovery Bond, every previous Nuclear Asset-Recovery Bond evidencing all or a portion of the same debt as that evidenced by such particular Nuclear Asset-Recovery Bond, and, for the purpose of this definition, any Nuclear Asset-Recovery Bond authenticated and delivered under Section 2.06 of the Indenture in lieu of a mutilated, lost, destroyed or stolen Nuclear Asset-Recovery Bond shall be deemed to evidence the same debt as the mutilated, lost, destroyed or stolen Nuclear Asset-Recovery Bond.

"Premises" is defined in Section 1(g) of the Administration Agreement.

"Proceeding" means any suit in equity, action at law or other judicial or administrative proceeding.

"Projected Unpaid Balance" means, as of any Payment Date, the sum of the projected outstanding principal amount of each Tranche of Nuclear Asset-Recovery Bonds for such Payment Date set forth in the Expected Amortization Schedule.

"Protected Purchaser" has the meaning specified in Section 8-303 of the UCC.

"Rating Agency" means, with respect to any Tranche of Nuclear Asset-Recovery Bonds, any of Moody's, S&P [or Fitch] that provides a rating with respect to the Nuclear Asset-Recovery Bonds. If no such organization (or successor) is any longer in existence, "Rating Agency" shall be a nationally recognized statistical rating organization or other comparable Person designated by the Issuer, notice of which designation shall be given to the Indenture Trustee and the Servicer.

"Rating Agency Condition" means, with respect to any action, at least ten Business Days' prior written notification to each Rating Agency of such action, and written confirmation from each of S&P and Moody's to the Servicer, the Indenture Trustee and the Issuer that such action will not result in a suspension, reduction or withdrawal of the then current rating by such Rating Agency of any Tranche of Nuclear Asset-Recovery Bonds; provided, that, if, within such ten Business Day period, any Rating Agency (other than S&P) has neither replied to such notification nor responded in a manner that indicates that such Rating Agency is reviewing and considering the notification, then (a) the Issuer shall be required to confirm that such Rating Agency has received the Rating Agency Condition request and, if it has, promptly request the related Rating Agency Condition confirmation and (b) if the Rating Agency neither replies to such notification nor responds in a manner that indicates it is reviewing and considering the notification within five Business Days following such second request, the applicable Rating Agency Condition requirement shall not be deemed to apply to such Rating Agency. For the purposes of this definition, any confirmation, request, acknowledgment or approval that is required to be in writing may be in the form of electronic mail or a press release (which may contain a general waiver of a Rating Agency's right to review or consent).

"Record Date" means one Business Day prior to the applicable Payment Date.

"Registered Holder" means the Person in whose name a Nuclear Asset-Recovery Bond is registered on the Nuclear Asset-Recovery Bond Register.

"Regulation AB" means the rules of the SEC promulgated under Subpart 229.1100 – Asset Backed Securities (Regulation AB), 17 C.F.R. §§229.1100-229.1123.

"Regulatory Assessment Fee" means any assessment fee due to the Commission pursuant to Section 350.113, Florida Statutes.

"Reimbursable Expenses" is defined in Section 2 of the Administration Agreement and Section 6.06(a) of the Servicing Agreement.

"Released Parties" is defined in Section 6.02(d) of the Servicing Agreement.

"Required Capital Level" means an amount of capital equal to 0.5% of the initial principal amount of the Nuclear Asset-Recovery Bonds.

"Requirement of Law" means any foreign, U.S. federal, state or local laws, statutes, regulations, rules, codes or ordinances enacted, adopted, issued or promulgated by any Governmental Authority or common law.

"Responsible Officer" means, with respect to: (a) the Issuer, any Manager or any duly authorized officer; (b) the Indenture Trustee, any officer within the Corporate Trust Office of such trustee (including the President, any Vice President, any Assistant Vice President, any Secretary, any Assistant Treasurer or any other officer of the Indenture Trustee customarily performing functions similar to those performed by persons who at the time shall be such officers, respectively, and that has direct responsibility for the administration of the Indenture and also, with respect to a particular matter, any other officer to whom such matter is referred to because of such officer's knowledge and familiarity with the particular subject); (c) any corporation (other than the Indenture Trustee), the Chief Executive Officer, the President, any Vice President, the Chief Financial Officer, the Treasurer, any Assistant Treasurer or any other duly authorized officer of such Person who has been authorized to act in the circumstances; (d) any partnership, any general partner thereof; and (e) any other Person (other than an individual), any duly authorized officer or member of such Person, as the context may require, who is authorized to act in matters relating to such Person.

"Return on Invested Capital" means, for any Payment Date with respect to any Calculation Period, the sum of (i) rate of return, payable to Duke Energy Florida, on its Capital Contribution equal to the rate of interest payable on the longest maturing tranche of Nuclear Asset-Recovery Bonds plus (ii) any Return on Invested Capital not paid on any prior Payment Date.

"S&P" means Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business. References to S&P are effective so long as S&P is a Rating Agency.

"Sale Agreement" means the Nuclear Asset-Recovery Property Purchase and Sale Agreement, dated as of the Closing Date, by and between the Issuer and Duke Energy Florida, and acknowledged and accepted by the Indenture Trustee.

"Scheduled Final Payment Date" means, with respect to each Tranche of Nuclear Asset-Recovery Bonds, the date when all interest and principal is scheduled to be paid with respect to that Tranche in accordance with the Expected Amortization Schedule, as specified in the Series Supplement. For the avoidance of doubt, the Scheduled Final Payment Date with respect to any Tranche shall be the last Scheduled Payment Date set forth in the Expected

Amortization Schedule relating to such Tranche. The "last Scheduled Final Payment Date" means the Scheduled Final Payment Date of the latest maturing Tranche of Nuclear Asset-Recovery Bonds.

"Scheduled Payment Date" means, with respect to each Tranche of Nuclear Asset-Recovery Bonds, each Payment Date on which principal for such Tranche is to be paid in accordance with the Expected Amortization Schedule for such Tranche.

"SEC" means the Securities and Exchange Commission.

"Secured Obligations" means the payment of principal of and premium, if any, interest on, and any other amounts owing in respect of, the Nuclear Asset-Recovery Bonds and all fees, expenses, counsel fees and other amounts due and payable to the Indenture Trustee.

"Secured Parties" means the Indenture Trustee, the Holders and any credit enhancer described in the Series Supplement.

"Securities Act" means the Securities Act of 1933.

"Securities Intermediary" means The Bank of New York Mellon, a New York banking corporation, solely in the capacity of a "securities intermediary" as defined in the NY UCC and Federal Book-Entry Regulations or any successor securities intermediary under the Indenture.

"Seller" is defined in the preamble to the Sale Agreement.

"Semi-Annual Servicer's Certificate" is defined in Section 4.01(c)(ii) of the Servicing Agreement.

"Semi-Annual True-Up Adjustment" means each adjustment to the Nuclear Asset-Recovery Charges made in accordance with Section 4.01(b)(i) of the Servicing Agreement.

"Semi-Annual True-Up Adjustment Date" means the first billing cycle of [ ] and [ ] of each year, commencing in [, 20].

"Series Supplement" means the indenture supplemental to the Indenture in the form attached as Exhibit B to the Indenture that authorizes the issuance of the Nuclear Asset-Recovery Bonds.

"Servicer" means Duke Energy Florida, as Servicer under the Servicing Agreement.

"Servicer Business Day" means any day other than a Saturday, a Sunday or a day on which banking institutions in St. Petersburg, Florida, Charlotte, North Carolina or New York,

New York are authorized or obligated by law, regulation or executive order to be closed, on which the Servicer maintains normal office hours and conducts business.

"Servicer Default" is defined in Section 7.01 of the Servicing Agreement.

"Servicer Policies and Practices" means, with respect to the Servicer's duties under Exhibit A to the Servicing Agreement, the policies and practices of the Servicer applicable to such duties that the Servicer follows with respect to comparable assets that it services for itself and, if applicable, others.

"Servicing Agreement" means the Nuclear Asset-Recovery Property Servicing Agreement, dated as of the Closing Date, by and between the Issuer and Duke Energy Florida, and acknowledged and accepted by the Indenture Trustee.

"Servicing Fee" is defined in Section 6.06(a) of the Servicing Agreement.

"Servicing Standard" means the obligation of the Servicer to calculate, apply, remit and reconcile proceeds of the Nuclear Asset-Recovery Property, including Nuclear Asset-Recovery Charge Payments, and all other Nuclear Asset-Recovery Bond Collateral for the benefit of the Issuer and the Holders (a) with the same degree of care and diligence as the Servicer applies with respect to payments owed to it for its own account, (b) in accordance with all applicable procedures and requirements established by the Commission for collection of electric utility tariffs and (c) in accordance with the other terms of the Servicing Agreement.

"Special Payment Date" means the date on which, with respect to any Tranche of Nuclear Asset-Recovery Bonds, any payment of principal of or interest (including any interest accruing upon default) on, or any other amount in respect of, the Nuclear Asset-Recovery Bonds of such Tranche that is not actually paid within five days of the Payment Date applicable thereto is to be made by the Indenture Trustee to the Holders.

"Special Record Date" means, with respect to any Special Payment Date, the close of business on the fifteenth day (whether or not a Business Day) preceding such Special Payment Date.

"Sponsor" means Duke Energy Florida, in its capacity as "sponsor" of the Nuclear Asset-Recovery Bonds within the meaning of Regulation AB.

"State" means any one of the fifty states of the United States of America or the District of Columbia.

"State Pledge" means the pledge of the State of Florida as set forth in Section 366.95(11) of the Nuclear Asset-Recovery Law.

"Subaccounts" is defined in Section 8.02(a) of the Indenture.

"Successor" means any successor to Duke Energy Florida under the Nuclear Asset-Recovery Law, whether pursuant to any bankruptcy, reorganization or other insolvency proceeding or pursuant to any merger, conversion, acquisition, sale or transfer, by operation of law, as a result of electric utility restructuring, or otherwise.

"Successor Servicer" is defined in Section 3.07(e) of the Indenture.

"Tariff" means the most current version on file with the Commission of [ ].

"Tax Returns" is defined in Section 1(a)(iii) of the Administration Agreement.

"Temporary Nuclear Asset-Recovery Bonds" means Nuclear Asset-Recovery Bonds executed and, upon the receipt of an Issuer Order, authenticated and delivered by the Indenture Trustee pending the preparation of Definitive Nuclear Asset-Recovery Bonds pursuant to Section 2.04 of the Indenture.

"Termination Notice" is defined in Section 7.01 of the Servicing Agreement.

"Tranche" means any one of the groupings of Nuclear Asset-Recovery Bonds differentiated by amortization schedule, interest rate or sinking fund schedule, as specified in the Series Supplement.

"True-Up Adjustment" means any Semi-Annual True-Up Adjustment or Interim True-Up Adjustment, as the case may be.

"Trust Indenture Act" means the Trust Indenture Act of 1939 as in force on the Closing Date, unless otherwise specifically provided.

"UCC" means the Uniform Commercial Code as in effect in the relevant jurisdiction.

"Underwriters" means the underwriters who purchase Nuclear Asset-Recovery Bonds of any Tranche from the Issuer and sell such Nuclear Asset-Recovery Bonds in a public offering.

"Underwriting Agreement" means the Underwriting Agreement, dated [, 20], by and among Duke Energy Florida, the representatives of the several Underwriters named therein and the Issuer.

"U.S. Government Obligations" means direct obligations (or certificates representing an ownership interest in such obligations) of the United States of America (including any agency or instrumentality thereof) for the payment of which the full faith and credit of the United States of America is pledged and that are not callable at the option of the issuer thereof.

"Weighted Average Days Outstanding" means the weighted average number of days Duke Energy Florida's monthly bills to Customers remain outstanding during the calendar year preceding the calculation thereof pursuant to Section 4.01(b)(i) of the Servicing Agreement.

B. Rules of Construction. Unless the context otherwise requires, in each Basic Document to which this Appendix A is attached:

(a) All accounting terms not specifically defined herein shall be construed in accordance with United States generally accepted accounting principles. To the extent that the definitions of accounting terms in any Basic Document are inconsistent with the meanings of such terms under generally accepted accounting principles or regulatory accounting principles, the definitions contained in such Basic Document shall control.

(b) The term "including" means "including without limitation", and other forms of the verb "include" have correlative meanings.

(c) All references to any Person shall include such Person's permitted successors and assigns, and any reference to a Person in a particular capacity excludes such Person in other capacities.

(d) Unless otherwise stated in any of the Basic Documents, in the computation of a period of time from a specified date to a later specified date, the word "from" means "from and including" and each of the words "to" and "until" means "to but excluding".

(e) The words "hereof", "herein" and "hereunder" and words of similar import when used in any Basic Document shall refer to such Basic Document as a whole and not to any particular provision of such Basic Document. References to Articles, Sections, Appendices and Exhibits in any Basic Document are references to Articles, Sections, Appendices and Exhibits in or to such Basic Document unless otherwise specified in such Basic Document.

(f) The various captions (including the tables of contents) in each Basic Document are provided solely for convenience of reference and shall not affect the meaning or interpretation of any Basic Document.

(g) The definitions contained in this Appendix A apply equally to the singular and plural forms of such terms, and words of the masculine, feminine or neuter gender shall mean and include the correlative words of other genders.

(h) Unless otherwise specified, references to an agreement or other document include references to such agreement or document as from time to time amended, restated, reformed, supplemented or otherwise modified in accordance with the terms thereof (subject to any restrictions on such amendments, restatements, reformations, supplements or modifications set forth in such agreement or document) and include any attachments thereto.

(i) References to any law, rule, regulation or order of a Governmental Authority shall include such law, rule, regulation or order as from time to time in effect, including any amendment, modification, codification, replacement or reenactment thereof or any substitution therefor.

(j) The word "will" shall be construed to have the same meaning and effect as the word "shall".

(k) The word "or" is not exclusive.

(l) All terms defined in the relevant Basic Document to which this Appendix A is attached shall have the defined meanings when used in any certificate or other document made or delivered pursuant thereto unless otherwise defined therein.

(m) A term has the meaning assigned to it.

NUCLEAR ASSET-RECOVERY PROPERTY SERVICING AGREEMENT

by and between

[DEF SPE] LLC,

Issuer

and

DUKE ENERGY FLORIDA, INC.,

Servicer

Acknowledged and Accepted by

The Bank of New York Mellon, as Indenture Trustee

Dated as of [, 20]

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EXHIBITS

APPENDIX

Appendix A Definitions and Rules of Construction

This NUCLEAR ASSET-RECOVERY PROPERTY SERVICING AGREEMENT, dated as of [, 20], is by and between [DEF SPE] LLC, a Delaware limited liability company, as Issuer, and DUKE ENERGY FLORIDA, INC., a Florida corporation, as servicer, and acknowledged and accepted by The Bank of New York Mellon, as Indenture Trustee.

RECITALS

WHEREAS, pursuant to the Nuclear Asset-Recovery Law and the Financing Order, Duke Energy Florida, in its capacity as seller, and the Issuer are concurrently entering into the Sale Agreement pursuant to which the Seller is selling and the Issuer is purchasing certain Nuclear Asset-Recovery Property created pursuant to the Nuclear Asset-Recovery Law and the Financing Order described therein;

WHEREAS, in connection with its ownership of the Nuclear Asset-Recovery Property and in order to collect the associated Nuclear Asset-Recovery Charges, the Issuer desires to engage the Servicer to carry out the functions described herein and the Servicer desires to be so engaged;

WHEREAS, the Issuer desires to engage the Servicer to act on its behalf in obtaining True-Up Adjustments from the Commission and the Servicer desires to be so engaged;

WHEREAS, the Nuclear Asset-Recovery Charge Collections may be commingled with other funds collected by the Servicer; and

WHEREAS, certain parties may have an interest in such commingled collections, and such parties will have entered into the Intercreditor Agreement, which allows Duke Energy Florida to allocate the collected, commingled funds according to each party's interest;

WHEREAS, the Commission or its attorney will enforce this Servicing Agreement for the benefit of the Customers.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS AND RULES OF CONSTRUCTION

SECTION 1.01. Definitions and Rules of Construction. Capitalized terms used but not otherwise defined in this Servicing Agreement shall have the respective meanings given to such terms in Appendix A, which is hereby incorporated by reference into this Servicing Agreement as if set forth fully in this Servicing Agreement. Not all terms defined in Appendix A are used in this Servicing Agreement. The rules of construction set forth in Appendix A shall apply to this Servicing Agreement and are hereby incorporated by reference into this Servicing Agreement as if set forth fully in this Servicing Agreement.

ARTICLE II
APPOINTMENT AND AUTHORIZATION

SECTION 2.01. Appointment of Servicer; Acceptance of Appointment. The Issuer hereby appoints the Servicer, and the Servicer hereby accepts such appointment, to perform the Servicer's obligations pursuant to this Servicing Agreement on behalf of and for the benefit of the Issuer or any assignee thereof in accordance with the terms of this Servicing Agreement and applicable law as it applies to the Servicer in its capacity as servicer hereunder. This appointment and the Servicer's acceptance thereof may not be revoked except in accordance with the express terms of this Servicing Agreement.

SECTION 2.02. Authorization. With respect to all or any portion of the Nuclear Asset-Recovery Property, the Servicer shall be, and hereby is, authorized and empowered by the Issuer to (a) execute and deliver, on behalf of itself and/or the Issuer, as the case may be, any and all instruments, documents or notices, and (b) on behalf of itself and/or the Issuer, as the case may be, make any filing and participate in proceedings of any kind with any Governmental Authority, including with the Commission. The Issuer shall execute and deliver to the Servicer such documents as have been prepared by the Servicer for execution by the Issuer and shall furnish the Servicer with such other documents as may be in the Issuer's possession, in each case as the Servicer may determine to be necessary or appropriate to enable it to carry out its servicing and administrative duties hereunder. Upon the Servicer's written request, the Issuer shall furnish the Servicer with any powers of attorney or other documents necessary or appropriate to enable the Servicer to carry out its duties hereunder.

SECTION 2.03. Dominion and Control Over the Nuclear Asset-Recovery Property. Notwithstanding any other provision herein, the Issuer shall have dominion and control over the Nuclear Asset-Recovery Property, and the Servicer, in accordance with the terms hereof, is acting solely as the servicing agent and custodian for the Issuer with respect to the Nuclear Asset-Recovery Property and the Nuclear Asset-Recovery Property Records. The Servicer shall not take any action that is not authorized by this Servicing Agreement, that would contravene the Commission Regulations or the Financing Order, that is not consistent with its customary procedures and practices or that shall impair the rights of the Issuer or the Indenture Trustee (on behalf of the Holders) in the Nuclear Asset-Recovery Property, in each case unless such action is required by applicable law or court or regulatory order.

ARTICLE III
ROLE OF SERVICER

SECTION 3.01. Duties of Servicer. The Servicer, as agent for the Issuer, shall have the following duties:

(a) Duties of Servicer Generally.

(i) The Servicer's duties in general shall include: management, servicing and administration of the Nuclear Asset-Recovery Property; obtaining meter reads, calculating usage and billing, collecting and posting all payments in respect of the Nuclear Asset-Recovery Property or Nuclear Asset-Recovery Charges; responding to inquiries by Customers, the Commission or any other Governmental Authority with respect to the Nuclear Asset-Recovery Property or Nuclear Asset-Recovery Charges; delivering Bills to Customers; investigating and handling delinquencies (and furnishing reports with respect to such delinquencies to the Issuer), processing and depositing collections and making periodic remittances; furnishing periodic reports to the Issuer, the Indenture Trustee and the Rating Agencies; making all filings with the Commission and taking such other action as may be necessary to perfect the Issuer's ownership interests in and the Indenture Trustee's first priority Lien on the Nuclear Asset-Recovery Property; making all filings and taking such other action as may be necessary to perfect and maintain the perfection and priority of the Indenture Trustee's Lien on all Nuclear Asset-Recovery Bond Collateral; selling as the agent for the Issuer as its interests may appear defaulted or written off accounts in accordance with the Servicer's usual and customary practices; taking all necessary action in connection with True-Up Adjustments as set forth herein; and performing such other duties as may be specified under the Financing Order to be performed by it. Anything to the contrary notwithstanding, the duties of the Servicer set forth in this Servicing Agreement shall be qualified in their entirety by any Commission Regulations, the Financing Order and the U.S. federal securities laws and the rules and regulations promulgated thereunder, including Regulation AB, as in effect at the time such duties are to be performed. Without limiting the generality of this SECTION 3.01(a)(i), in furtherance of the foregoing, the Servicer hereby agrees that it shall also have, and shall comply with, the duties and responsibilities relating to data acquisition, usage and bill calculation, billing, customer service functions, collections, posting, payment processing and remittance set forth in EXHIBIT A. Any processing and depositing of collections, making of periodic remittances and furnishing of periodic reports set forth in this SECTION 3.01(a)(i) shall be subject to the provisions of the Intercreditor Agreement.

(ii) Commission Regulations Control. Notwithstanding anything to the contrary in this Servicing Agreement, the duties of the Servicer set forth in this Servicing Agreement shall be qualified and limited in their entirety by the Nuclear Asset-Recovery Law, the Financing Order and any Commission Regulations as in effect at the time such duties are to be performed.

(b) Reporting Functions.

(i) Monthly Servicer's Certificate. On or before the last Servicer Business Day of each month, the Servicer shall prepare and deliver to the Issuer, the Indenture Trustee, the Commission and the Rating Agencies a written report

substantially in the form of EXHIBIT B (a "Monthly Servicer's Certificate") setting forth certain information relating to Nuclear Asset-Recovery Charge Payments received by the Servicer during the Collection Period preceding such date; provided, however, that, for any month in which the Servicer is required to deliver a Semi-Annual Servicer's Certificate pursuant to SECTION 4.01(c)(ii), the Servicer shall prepare and deliver the Monthly Servicer's Certificate no later than the date of delivery of such Semi-Annual Servicer's Certificate.

(ii) Notification of Laws and Regulations. The Servicer shall immediately notify the Issuer, the Indenture Trustee, and the Rating Agencies in writing of any Requirement of Law or Commission Regulations hereafter promulgated that have a material adverse effect on the Servicer's ability to perform its duties under this Servicing Agreement.

(iii) Other Information. Upon the reasonable request of the Issuer, the Indenture Trustee, the Commission or any Rating Agency, the Servicer shall provide to the Issuer, the Indenture Trustee, the Commission or such Rating Agency, as the case may be, any public financial information in respect of the Servicer, or any material information regarding the Nuclear Asset-Recovery Property to the extent it is reasonably available to the Servicer, as may be reasonably necessary and permitted by law to enable the Issuer, the Indenture Trustee, the Commission or the Rating Agencies to monitor the performance by the Servicer hereunder. In addition, so long as any of the Nuclear Asset-Recovery Bonds are outstanding, the Servicer shall provide the Issuer, the Commission and the Indenture Trustee, within a reasonable time after written request therefor, any information available to the Servicer or reasonably obtainable by it that is necessary to calculate the Nuclear Asset-Recovery Charges applicable to each Nuclear Asset-Recovery Rate Class.

(iv) Preparation of Reports. The Servicer shall prepare and deliver such additional reports as required under this Servicing Agreement, including a copy of each Semi-Annual Servicer's Certificate described in SECTION 4.01(c)(ii), the annual statements of compliance, attestation reports and other certificates described in SECTION 3.03 and the Annual Accountant's Report described in SECTION 3.04. In addition, the Servicer shall prepare, procure, deliver and/or file, or cause to be prepared, procured, delivered or filed, any reports, attestations, exhibits, certificates or other documents required to be delivered or filed with the SEC (and/or any other Governmental Authority) by the Issuer or the Sponsor under the U.S. federal securities or other applicable laws or in accordance with the Basic Documents, including filing with the SEC, if applicable and required by applicable law, a copy or copies of (A) the Monthly Servicer's Certificates described in SECTION 3.01(b)(i) (under Form 10-D or any other applicable form), (B) the Semi-Annual Servicer's Certificates described in SECTION 4.01(c)(ii) (under Form 10-D or any other applicable form), (C) the

annual statements of compliance, attestation reports and other certificates described in SECTION 3.03 and (D) the Annual Accountant's Report (and any attestation required under Regulation AB) described in SECTION 3.04. In addition, the appropriate officer or officers of the Servicer shall (in its separate capacity as Servicer) sign the Sponsor's annual report on Form 10-K (and any other applicable SEC or other reports, attestations, certifications and other documents), to the extent that the Servicer's signature is required by, and consistent with, the U.S. federal securities laws and/or any other applicable law.

(v) [Third Party Asset Review. **Duke Energy Florida to Consider level of "delinquencies" required to trigger a third party asset review of the reps. and warranties of the basic assets if required as a result of Reg. AB II].**

(c) Opinions of Counsel. The Servicer shall obtain on behalf of the Issuer and deliver to the Issuer, the Commission and the Indenture Trustee:

(i) promptly after the execution and delivery of this Servicing Agreement and of each amendment hereto, an Opinion of Counsel from external counsel of the Issuer either (A) to the effect that, in the opinion of such counsel, all filings, including filings with the Florida Secured Transactions Registry and the Secretary of State of the State of Delaware, that are necessary under the UCC and the Nuclear Asset-Recovery Law to fully preserve, protect and perfect the Liens of the Indenture Trustee in the Nuclear Asset-Recovery Property have been authorized, executed and filed, and reciting the details of such filings or referring to prior Opinions of Counsel in which such details are given, or (B) to the effect that, in the opinion of such counsel, no such action shall be necessary to preserve, protect and perfect such Liens; and

(ii) within 90 days after the beginning of each calendar year beginning with the first calendar year beginning more than three months after the date hereof, an Opinion of Counsel, which counsel may be an employee of or counsel to the Issuer or the Servicer and which shall be reasonably satisfactory to the Indenture Trustee, or, in the Indenture Trustee's sole judgment, external counsel of the Issuer, dated as of a date during such 90-day period, either (A) to the effect that, in the opinion of such counsel, all filings, including filings with the Florida Secured Transactions Registry and the Secretary of State of the State of Delaware, have been authorized, executed and filed that are necessary under the UCC and the Nuclear Asset-Recovery Law to fully preserve, protect and perfect the Liens of the Indenture Trustee in the Nuclear Asset-Recovery Property, and reciting the details of such filings or referring to prior Opinions of Counsel in which such details are given, or (B) to the effect that, in the opinion of such counsel, no such action shall be necessary to preserve, protect and perfect such Liens.

Each Opinion of Counsel referred to in SECTION 3.01(c)(i) or SECTION 3.01(c)(ii) above shall specify any action necessary (as of the date of such opinion) to be taken in the following year to preserve, protect and perfect such interest or Lien.

SECTION 3.02. Servicing and Maintenance Standards. On behalf of the Issuer, the Servicer shall: (a) manage, service, administer, bill, collect, receive and post collections in respect of the Nuclear Asset-Recovery Property with reasonable care and in material compliance with each applicable Requirement of Law, including all applicable Commission Regulations and guidelines, using the same degree of care and diligence that the Servicer exercises with respect to similar assets for its own account and, if applicable, for others; (b) follow standards, policies and procedures in performing its duties as Servicer that are customary in the electric distribution industry; (c) use all reasonable efforts, consistent with its customary servicing procedures, to enforce, and maintain rights in respect of, the Nuclear Asset-Recovery Property and to bill, collect, receive and post the Nuclear Asset-Recovery Charges; (d) comply with each Requirement of Law, including all applicable Commission Regulations and guidelines, applicable to and binding on it relating to the Nuclear Asset-Recovery Property; (e) file all reports with the Commission required by the Financing Order; (f) file and maintain the effectiveness of UCC financing statements with respect to the property transferred under the Sale Agreement; and (g) take such other action on behalf of the Issuer to ensure that the Lien of the Indenture Trustee on the Nuclear Asset-Recovery Bond Collateral remains perfected and of first priority. The Servicer shall follow such customary and usual practices and procedures as it shall deem necessary or advisable in its servicing of all or any portion of the Nuclear Asset-Recovery Property, which, in the Servicer's judgment, may include the taking of legal action, at the Issuer's expense but subject to the priority of payments set forth in Section 8.02(e) of the Indenture.

SECTION 3.03. Annual Reports on Compliance with Regulation AB.

(a) The Servicer shall deliver to the Issuer, the Indenture Trustee, the Commission and the Rating Agencies, on or before the earlier of (a) March 31 of each year or (b) with respect to each calendar year during which the Sponsor's annual report on Form 10-K is required to be filed in accordance with the Exchange Act and the rules and regulations thereunder, the date on which such annual report on Form 10-K is required to be filed in accordance with the Exchange Act and the rules and regulations thereunder, certificates from a Responsible Officer of the Servicer (i) containing, and certifying as to, the statements of compliance required by Item 1123 of Regulation AB, as then in effect, and (ii) containing, and certifying as to, the statements and assessment of compliance required by Item 1122(a) of Regulation AB, as then in effect. These certificates may be in the form of, or shall include the forms attached as EXHIBIT D and EXHIBIT E, with, in the case of EXHIBIT D, such changes as may be required to conform to the applicable securities law.

(b) The Servicer shall use commercially reasonable efforts to obtain, from each other party participating in the servicing function, any additional certifications as to the statements and assessment required under Item 1122 or Item 1123 of Regulation AB to the

extent required in connection with the filing of the annual report on Form 10-K; provided, however, that a failure to obtain such certifications shall not be a breach of the Servicer's duties hereunder. The parties acknowledge that the Indenture Trustee's certifications shall be limited to the Item 1122 certifications described in Exhibit C of the Indenture.

(c) The initial Servicer, in its capacity as Sponsor, shall post on its or its parent company's website and file with or furnish to the SEC, in periodic reports and other reports as are required from time to time under Section 13 or Section 15(d) of the Exchange Act, the information described in Section 3.07(g) of the Indenture to the extent such information is reasonably available to the Sponsor. Except to the extent permitted by applicable law, the initial Servicer, in its capacity as Sponsor, shall not voluntarily suspend or terminate its filing obligations as Sponsor with the SEC as described in this SECTION 3.03(c). The covenants of the initial Servicer, in its capacity as Sponsor, pursuant to this SECTION 3.03(c) shall survive the resignation, removal or termination of the initial Servicer as Servicer hereunder.

SECTION 3.04. Annual Report by Independent Registered Public Accountants.

(a) The Servicer shall cause a firm of Independent registered public accountants (which may provide other services to the Servicer or the Seller) to prepare annually, and the Servicer shall deliver annually to the Issuer, the Indenture Trustee, the Commission and the Rating Agencies on or before the earlier of (i) March 31 of each year, beginning March 31, 20[ ], or (ii) with respect to each calendar year during which the Sponsor's annual report on Form 10-K is required to be filed in accordance with the Exchange Act and the rules and regulations thereunder, the date on which such annual report on Form 10-K is required to be filed in accordance with the Exchange Act and the rules and regulations thereunder, a report (the "Annual Accountant's Report") that attests to, and reports on, the assessment of compliance made by the Servicer and delivered pursuant to SECTION 3.03. Such attestation shall be in accordance with Rules 1-02(a)(3) and 2-02(g) of Regulation S-X under the Securities Act and the Exchange Act.

(b) The Annual Accountant's Report delivered pursuant to SECTION 3.04(a) shall also indicate that the accounting firm providing such report is independent of the Servicer in accordance with the rules of the Public Company Accounting Oversight Board and shall include any attestation report required under Item 1122(b) of Regulation AB, as then in effect.

ARTICLE IV
SERVICES RELATED TO TRUE-UP ADJUSTMENTS

SECTION 4.01. True-Up Adjustments. From time to time, until the Collection in Full of the Nuclear Asset-Recovery Charges, the Servicer shall identify the need for Semi-Annual True-Up Adjustments, Optional Interim True-Up Adjustments and Non-standard True-Up Adjustments and shall take all reasonable action to obtain and implement such True-Up Adjustments, all in accordance with the following:

(a) Expected Amortization Schedule. The Expected Amortization Schedule for the Nuclear Asset-Recovery Bonds is attached hereto as EXHIBIT F. If the Expected Amortization Schedule is revised, the Servicer shall send a copy of such revised Expected Amortization Schedule to the Issuer, the Indenture Trustee and the Rating Agencies promptly thereafter.

(b) True-Up Adjustments.

(i) Semi-Annual True-Up Adjustments and Filings. At the beginning of Duke Energy Florida's billing cycle that is at least [three] months but no longer than [six] months following Duke Energy Florida's first complete billing cycle after the Closing Date, and for Duke Energy Florida's billing cycle every six months thereafter, and at least every three months after the Scheduled Final Payment Date for the latest maturing Tranche, the Servicer shall: (A) update the data and assumptions underlying the calculation of the Nuclear Asset-Recovery Charges, including projected electricity usage during the next Calculation Period for each Nuclear Asset-Recovery Rate Class and including Periodic Principal, interest and estimated expenses and fees of the Issuer to be paid during such period, the Weighted Average Days Outstanding and write-offs; (B) determine the Periodic Payment Requirements and Periodic Billing Requirement for the next Calculation Period based on such updated data and assumptions; (C) determine the Nuclear Asset-Recovery Charges to be allocated to each Nuclear Asset-Recovery Rate Class during the next Calculation Period based on such Periodic Billing Requirement and the terms of the Financing Order, the Tariff and any other tariffs filed pursuant thereto; (D) make all required public notices and other filings with the Commission to reflect the revised Nuclear Asset-Recovery Charges, including any Amendatory Schedule; and (E) take all reasonable actions and make all reasonable efforts to effect such Semi-Annual True-Up Adjustment and to enforce the provisions of the Nuclear Asset-Recovery Law and the Financing Order; provided, that, in the case of any Semi-Annual True-Up Adjustment following the Scheduled Final Payment Date for the latest maturing tranche of any Nuclear Asset-Recovery Bonds, the Semi-Annual True-Up Adjustment will be calculated to ensure that the Nuclear Asset-Recovery Charges are sufficient to pay the Nuclear Asset-Recovery Bonds in full on the next Payment Date. The Servicer shall implement the revised Nuclear Asset-Recovery Charges, if any, resulting from such Semi-Annual True-Up Adjustment as of the Semi-Annual True-Up Adjustment Date.

(ii) Optional Interim True-Up Adjustments and Filings. No later than [60] days prior to the first day of the applicable monthly billing cycle, the Servicer shall: (A) update the data and assumptions underlying the calculation of the Nuclear Asset-Recovery Charges, including projected electricity usage during the next Calculation Period for each Nuclear Asset-Recovery Rate Class and including Periodic Principal, interest and estimated expenses and fees of the

Issuer to be paid during such period, the rate of delinquencies and write-offs; (B) determine the Periodic Payment Requirement and Periodic Billing Requirement for the next Calculation Period based on such updated data and assumptions; and (C) based upon such updated data and requirements, project whether existing and projected Nuclear Asset-Recovery Charge Collections together with available fund balances in the Excess Funds Subaccount, will be sufficient (x) to make on a timely basis all scheduled payments of Periodic Principal and interest in respect of each Outstanding Tranche of Nuclear Asset-Recovery Bonds during such Calculation Period, (y) to pay other Ongoing Financing Costs on a timely basis and (z) to maintain the Capital Subaccount at the Required Capital Level. If the Servicer determines that Nuclear Asset-Recovery Charges will not be sufficient for such purposes, the Servicer shall, no later than the date described in the first sentence of this SECTION 4.01(b)(ii): (1) determine the Nuclear Asset-Recovery Charges to be allocated to each Nuclear Asset-Recovery Rate Class during the next Calculation Period based on such Periodic Billing Requirement and the terms of the Financing Order, the Tariff and other tariffs filed pursuant thereto; (2) make all required public notices and other filings with the Commission to reflect the revised Nuclear Asset-Recovery Charges, including any Amendatory Schedule; and (3) take all reasonable actions and make all reasonable efforts to effect such Optional Interim True-Up Adjustment and to enforce the provisions of the Nuclear Asset-Recovery Law and the Financing Order.

(iii) Non-standard True-Up Adjustments and Filings. In the event that the Servicer determines that a Non-standard True-Up Adjustment is required at anytime to be effective simultaneously with a base rate change that includes any change in the cost allocation among customers used in determining the Nuclear Asset-Recovery Charges, such True-Up Adjustment to go into effect simultaneously with any changes to Duke Energy Florida's other base rates the Servicer shall promptly (A) recalculate the Nuclear Asset-Recovery Charges to reallocate the Nuclear Asset-Recovery Charges among customers in accordance with the procedures for Non-standard True-Up Adjustments set forth in the Financing Order; (B) initiate a proceeding with the Commission to determine new allocation factors and make all required public notices and other filings with the Commission to implement the revised Nuclear Asset-Recovery Charges in a timely manner, including the filing of any revised Amendatory Rider necessary to begin the billing of such revised Nuclear Asset-Recovery Charges; and (C) take all reasonable actions and make all reasonable efforts to effect such Non-standard True-Up Adjustment and to enforce the provisions of the Nuclear Asset-Recovery Law and the Financing Order. The Servicer shall implement the revised Nuclear Asset-Recovery Charges, if any, resulting from such Non-standard True-Up Adjustment on the Non-standard True-Up Adjustment Date. For the avoidance of doubt, no Semi-Annual True-Up Adjustment or Optional Interim True-Up Adjustment shall be considered a Non-standard True-Up Adjustment solely

because Nuclear Asset-Recovery Charges are allocated under such Semi-Annual True-Up Adjustment or Optional Interim True-Up Adjustment in the same manner as in a preceding Non-standard True-Up Adjustment.

(c) Reports.

(i) Notification of Amendatory Schedule Filings and True-Up Adjustments. Whenever the Servicer files an Amendatory Schedule with the Commission or implements revised Nuclear Asset-Recovery Charges with notice to the Commission without filing an Amendatory Schedule if permitted by the Financing Order, the Servicer shall send a copy of such filing or notice (together with a copy of all notices and documents that, in the Servicer's reasonable judgment, are material to the adjustments effected by such Amendatory Schedule or notice) to the Issuer, the Indenture Trustee and the Rating Agencies concurrently therewith. If, for any reason any revised Nuclear Asset-Recovery Charges are not implemented and effective on the applicable date set forth herein, the Servicer shall notify the Issuer, the Indenture Trustee and each Rating Agency by the end of the second Servicer Business Day after such applicable date.

(ii) Semi-Annual Servicer's Certificate. Not later than five Servicer Business Days prior to each Payment Date or Special Payment Date, the Servicer shall deliver a written report substantially in the form of EXHIBIT C (the "Semi-Annual Servicer's Certificate") to the Issuer, the Indenture Trustee, the Commission and the Rating Agencies, which shall include all of the following information (to the extent applicable and including any other information so specified in the Series Supplement) as to the Nuclear Asset-Recovery Bonds with respect to such Payment Date or Special Payment Date or the period since the previous Payment Date, as applicable:

(A) the amount of the payment to Holders allocable to principal, if any;

(B) the amount of the payment to Holders allocable to interest;

(C) the aggregate Outstanding Amount of the Nuclear Asset-Recovery Bonds, before and after giving effect to any payments allocated to principal reported under SECTION 4.01(c)(ii)(A);

(D) the difference, if any, between the amount specified in SECTION 4.01(c)(ii)(C) and the Outstanding Amount specified in the Expected Amortization Schedule;

(E) any other transfers and payments to be made on such Payment Date or Special Payment Date, including amounts paid to the Indenture Trustee and to the Servicer; and

(F) the amounts on deposit in the Capital Subaccount and the Excess Funds Subaccount, after giving effect to the foregoing payments.

(iii) Reports to Customers.

(A) After each revised Nuclear Asset-Recovery Charge has gone into effect pursuant to a True-Up Adjustment, the Servicer shall, to the extent and in the manner and time frame required by any applicable Commission Regulations, cause to be prepared and delivered to Customers any required notices announcing such revised Nuclear Asset-Recovery Charges.

(B) The Servicer shall comply with the requirements of the Financing Order with respect to the filing of the Nuclear Asset-Recovery Rate Schedule to ensure that the Nuclear Asset-Recovery Charges are separate and apart from the Servicer's other charges and appear as a separate line item on the Bills sent to Customers.

SECTION 4.02. Limitation of Liability.

(a) The Issuer and the Servicer expressly agree and acknowledge that:

(i) In connection with any True-Up Adjustment, the Servicer is acting solely in its capacity as the servicing agent hereunder.

(ii) None of the Servicer, the Issuer or the Indenture Trustee is responsible in any manner for, and shall have no liability whatsoever as a result of, any action, decision, ruling or other determination made or not made, or any delay (other than any delay resulting from the Servicer's failure to make any filings required by SECTION 4.01 in a timely and correct manner or any breach by the Servicer of its duties under this Servicing Agreement that adversely affects the Nuclear Asset-Recovery Property or the True-Up Adjustments), by the Commission in any way related to the Nuclear Asset-Recovery Property or in connection with any True-Up Adjustment, the subject of any filings under SECTION 4.01, any proposed True-Up Adjustment or the approval of any revised Nuclear Asset-Recovery Charges and the scheduled adjustments thereto.

(iii) Except to the extent that the Servicer is liable under SECTION 6.02, the Servicer shall have no liability whatsoever relating to the calculation of any revised Nuclear Asset-Recovery Charges and the scheduled adjustments thereto, including as a result of any inaccuracy of any of the assumptions made in

such calculation regarding expected energy usage volume and the Weighted Average Days Outstanding, write-offs and estimated expenses and fees of the Issuer, so long as the Servicer has acted in good faith and has not acted in a negligent manner in connection therewith, nor shall the Servicer have any liability whatsoever as a result of any Person, including the Holders, not receiving any payment, amount or return anticipated or expected or in respect of any Nuclear Asset-Recovery Bond generally.

(b) Notwithstanding the foregoing, this SECTION 4.02 shall not relieve the Servicer of liability for any misrepresentation by the Servicer under SECTION 6.01 or for any breach by the Servicer of its other obligations under this Servicing Agreement.

ARTICLE V
THE NUCLEAR ASSET-RECOVERY PROPERTY

SECTION 5.01. Custody of Nuclear Asset-Recovery Property Records. To assure uniform quality in servicing the Nuclear Asset-Recovery Property and to reduce administrative costs, the Issuer hereby revocably appoints the Servicer, and the Servicer hereby accepts such appointment, to act as the agent of the Issuer as custodian of any and all documents and records that the Seller shall keep on file, in accordance with its customary procedures, relating to the Nuclear Asset-Recovery Property, including copies of the Financing Order and Amendatory Schedules relating thereto and all documents filed with the Commission in connection with any True-Up Adjustment and computational records relating thereto (collectively, the "Nuclear Asset-Recovery Property Records"), which are hereby constructively delivered to the Indenture Trustee, as pledgee of the Issuer with respect to all Nuclear Asset-Recovery Property.

SECTION 5.02. Duties of Servicer as Custodian.

(a) Safekeeping. The Servicer shall hold the Nuclear Asset-Recovery Property Records on behalf of the Issuer and the Indenture Trustee and maintain such accurate and complete accounts, records and computer systems pertaining to the Nuclear Asset-Recovery Property Records as shall enable the Issuer and the Indenture Trustee, as applicable, to comply with this Servicing Agreement, the Sale Agreement and the Indenture. In performing its duties as custodian, the Servicer shall act with reasonable care, using that degree of care and diligence that the Servicer exercises with respect to comparable assets that the Servicer services for itself or, if applicable, for others. The Servicer shall promptly report to the Issuer, the Indenture Trustee, the Commission and the Rating Agencies any failure on its part to hold the Nuclear Asset-Recovery Property Records and maintain its accounts, records and computer systems as herein provided and promptly take appropriate action to remedy any such failure. Nothing herein shall be deemed to require an initial review or any periodic review by the Issuer or the Indenture Trustee of the Nuclear Asset-Recovery Property Records. The Servicer's duties to hold the Nuclear Asset-Recovery Property Records set forth in this SECTION 5.02, to the extent the Nuclear Asset-Recovery Property Records have not been previously transferred to a

successor Servicer pursuant to ARTICLE VII, shall terminate one year and one day after the earlier of (i) the date on which the Servicer is succeeded by a successor Servicer in accordance with ARTICLE VII and (ii) the first date on which no Nuclear Asset-Recovery Bonds are Outstanding.

(b) Maintenance of and Access to Records. The Servicer shall maintain the Nuclear Asset-Recovery Property Records at 550 South Tryon Street, Charlotte, North Carolina 28202 or at its facility located at [an offsite storage], or at such other office as shall be specified to the Issuer, the Commission and the Indenture Trustee by written notice at least 30 days prior to any change in location. The Servicer shall make available for inspection, audit and copying to the Issuer, the Commission and the Indenture Trustee or their respective duly authorized representatives, attorneys or auditors the Nuclear Asset-Recovery Property Records at such times during normal business hours as the Issuer, the Commission or the Indenture Trustee shall reasonably request and that do not unreasonably interfere with the Servicer's normal operations. Nothing in this SECTION 5.02(b) shall affect the obligation of the Servicer to observe any applicable law (including any Commission Regulation) prohibiting disclosure of information regarding Customers, and the failure of the Servicer to provide access to such information as a result of such obligation shall not constitute a breach of this SECTION 5.02(b).

(c) Release of Documents. Upon instruction from the Indenture Trustee in accordance with the Indenture, the Servicer shall release any Nuclear Asset-Recovery Property Records to the Indenture Trustee, the Indenture Trustee's agent or the Indenture Trustee's designee, as the case may be, at such place or places as the Indenture Trustee may designate, as soon as practicable. Nothing in this SECTION 5.02(c) shall affect the obligation of the Servicer to observe any applicable law (including any Commission Regulation) prohibiting disclosure of information regarding Customers, and the failure of the Servicer to provide access to such information as a result of such obligation shall not constitute a breach of this SECTION 5.02(c).

(d) Defending Nuclear Asset-Recovery Property Against Claims. The Servicer, on behalf of the Issuer and the Holders, shall institute any action or proceeding necessary under the Nuclear Asset-Recovery Law or the Financing Order with respect to the Nuclear Asset-Recovery Property, and the Servicer agrees to take such legal or administrative actions, including defending against or instituting and pursuing legal actions and appearing or testifying at hearings or similar proceedings, as may be reasonably necessary to block or overturn any attempts to cause a repeal of, modification of, judicial invalidation of, or supplement to, the Nuclear Asset-Recovery Law or the Financing Order that would be detrimental to the interests of the Holders or that would cause an impairment of the rights of the Issuer or the Holders. The costs of any such action shall be payable as an Operating Expense in accordance with the priorities set forth in Section 8.02(e) of the Indenture. The Servicer's obligations pursuant to this SECTION 5.02(d) shall survive and continue notwithstanding the fact that the payment of Operating Expenses pursuant to Section 8.02 of the Indenture may be delayed; provided, that, the Servicer is obligated to institute and maintain such action or proceedings only if it is being reimbursed on a current basis for its costs and expenses in taking

such actions in accordance with Section 8.02 of the Indenture, and is not required to advance its own funds to satisfy these obligations.

(e) Additional Litigation to Defend Nuclear Asset-Recovery Property. In addition to its obligations under SECTION 5.02(d), the Servicer shall, at its own expense, institute any action or proceeding necessary to compel performance by the Commission or the State of Florida of any of their respective obligations or duties under the Nuclear Asset-Recovery Law and the Financing Order with respect to the Nuclear Asset-Recovery Property and to compel performance by applicable parties under the Tariff or any agreement with the Servicer entered into pursuant to the Tariff.

SECTION 5.03. Custodian's Indemnification. The Servicer as custodian shall indemnify the Issuer, any Independent Manager and the Indenture Trustee (for itself and for the benefit of the Holders) and each of their respective officers, directors, employees and agents for, and defend and hold harmless each such Person from and against, any and all liabilities, obligations, losses, damages, payments and claims, and reasonable costs or expenses, of any kind whatsoever (collectively, "Indemnified Losses") that may be imposed on, incurred by or asserted against each such Person as the result of any negligent act or omission in any way relating to the maintenance and custody by the Servicer, as custodian, of the Nuclear Asset-Recovery Property Records; provided, however, that the Servicer shall not be liable for any portion of any such amount resulting from the willful misconduct, recklessness or negligence of the Issuer, any Independent Manager or the Indenture Trustee, as the case may be.

Indemnification under this SECTION 5.03 shall survive resignation or removal of the Indenture Trustee or any Independent Manager and shall include reasonable out-of-pocket fees and expenses of investigation and litigation (including reasonable attorneys' fees and expenses).

SECTION 5.04. Effective Period and Termination. The Servicer's appointment as custodian shall become effective as of the Closing Date and shall continue in full force and effect until terminated pursuant to this SECTION 5.04. If the Servicer shall resign as Servicer in accordance with the provisions of this Servicing Agreement or if all of the rights and obligations of the Servicer shall have been terminated under SECTION 7.01, the appointment of the Servicer as custodian shall be terminated effective as of the date on which the termination or resignation of the Servicer is effective. Additionally, if not sooner terminated as provided above, the Servicer's obligations as custodian shall terminate one year and one day after the date on which no Nuclear Asset-Recovery Bonds are Outstanding.

SECTION 5.05. Alternative Energy Suppliers. So long as any of the Nuclear Asset-Recovery Bonds are Outstanding, the Servicer shall take reasonable efforts to assure that no AES bills or collects Nuclear Asset-Recovery Charges on behalf of the Issuer unless required by applicable law or regulation and, to the extent permitted by applicable law or regulation, the Rating Agency Condition is satisfied. If an AES does bill or collect Nuclear Asset-Recovery Charges on behalf of the Issuer, upon the reasonable request of the Issuer, the Commission, the

Indenture Trustee, or any Rating Agency, the Servicer shall take reasonable steps to assure that such an AES provides to the Issuer, the Commission, the Indenture Trustee or the Rating Agencies, as the case may be, any public financial information in respect of such AES, or any material information regarding the Nuclear Asset-Recovery Property to the extent it is reasonably available to such AES, as may be reasonably necessary and permitted by law for the Issuer, the Commission, the Indenture Trustee or the Rating Agencies to monitor such AES' performance hereunder. In addition, so long as any of the Nuclear Asset-Recovery Bonds are Outstanding, Servicer will use commercially reasonable efforts to ensure that such AES provide to the Issuer and to the Indenture Trustee, within a reasonable time after written request therefor, any information available to the AES or reasonably obtainable by it that is necessary to calculate the Nuclear Asset-Recovery Charges.

ARTICLE VI
THE SERVICER

SECTION 6.01. Representations and Warranties of Servicer. The Servicer makes the following representations and warranties, as of the Closing Date, and as of such other dates as expressly provided in this SECTION 6.01, on which the Issuer, the Indenture Trustee and the Commission (for the benefit of the Customers) are deemed to have relied in entering into this Servicing Agreement relating to the servicing of the Nuclear Asset-Recovery Property. The representations and warranties shall survive the execution and delivery of this Servicing Agreement, the sale of any Nuclear Asset-Recovery Property and the pledge thereof to the Indenture Trustee pursuant to the Indenture.

(a) Organization and Good Standing. The Servicer is duly organized and validly existing and in good standing under the laws of the State of Florida, with the requisite corporate or other power and authority to own its properties and to conduct its business as such properties are currently owned and such business is presently conducted and to execute, deliver and carry out the terms of this Servicing Agreement and the Intercreditor Agreement, and had at all relevant times, and has, the requisite power, authority and legal right to service the Nuclear Asset-Recovery Property and to hold the Nuclear Asset-Recovery Property Records as custodian.

(b) Due Qualification. The Servicer is duly qualified to do business and is in good standing, and has obtained all necessary licenses and approvals, in all jurisdictions in which the ownership or lease of property or the conduct of its business (including the servicing of the Nuclear Asset-Recovery Property as required by this Servicing Agreement and the Intercreditor Agreement) shall require such qualifications, licenses or approvals (except where the failure to so qualify would not be reasonably likely to have a material adverse effect on the Servicer's business, operations, assets, revenues or properties or to its servicing of the Nuclear Asset-Recovery Property).

(c) Power and Authority. The execution, delivery and performance of this Servicing Agreement and the Intercreditor Agreement have been duly authorized by all necessary action on the part of the Servicer under its organizational documents and laws.

(d) Binding Obligation. Each of this Servicing Agreement and the Intercreditor Agreement constitutes a legal, valid and binding obligation of the Servicer enforceable against the Servicer in accordance with its respective terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and other laws relating to or affecting creditors' rights generally from time to time in effect and to general principles of equity (including concepts of materiality, reasonableness, good faith and fair dealing), regardless of whether considered in a proceeding in equity or at law.

(e) No Violation. The consummation of the transactions contemplated by this Servicing Agreement and the Intercreditor Agreement and the fulfillment of the terms of each such transaction will not: (i) conflict with, result in any breach of any of the terms and provisions of, or constitute (with or without notice or lapse of time) a default under, the organizational documents of the Servicer, or any indenture or other agreement or instrument to which the Servicer is a party or by which it or any of its property is bound; (ii) result in the creation or imposition of any Lien upon any of its properties pursuant to the terms of any such indenture, agreement or other instrument (other than any Lien that may be granted under the Basic Documents); or (iii) violate any existing law or any existing order, rule or regulation applicable to the Servicer of any Governmental Authority having jurisdiction over the Servicer or its properties.

(f) No Proceedings. There are no proceedings pending, and, to the Servicer's knowledge, there are no proceedings threatened, and, to the Servicer's knowledge, there are no investigations pending or threatened, before any Governmental Authority having jurisdiction over the Servicer or its properties involving or relating to the Servicer or the Issuer or, to the Servicer's knowledge, any other Person (i) asserting the invalidity of this Servicing Agreement or the Intercreditor Agreement or any of the other Basic Documents, (ii) seeking to prevent the issuance of the Nuclear Asset-Recovery Bonds or the consummation of any of the transactions contemplated by this Servicing Agreement or any of the other Basic Documents, (iii) seeking any determination or ruling that could reasonably be expected to materially and adversely affect the performance by the Servicer of its obligations under, or the validity or enforceability of, this Servicing Agreement, any of the other Basic Documents or the Nuclear Asset-Recovery Bonds or (iv) seeking to adversely affect the U.S. federal income tax or state income or franchise tax classification of the Nuclear Asset-Recovery Bonds as debt.

(g) Approvals. No governmental approval, authorization, consent, order or other action of, or filing with, any Governmental Authority is required in connection with the execution and delivery by the Servicer of this Servicing Agreement or the Intercreditor Agreement, the performance by the Servicer of the transactions contemplated hereby or thereby or the fulfillment by the Servicer of the terms of each, except those that have been obtained or made, those that the Servicer is required to make in the future pursuant to ARTICLE IV and those that the Servicer may need to file in the future to continue the effectiveness of any financing statement filed under the UCC.

(h) Reports and Certificates. Each report and certificate delivered in connection with any filing made to the Commission by the Issuer with respect to the Nuclear Asset-Recovery Charges or True-Up Adjustments will constitute a representation and warranty by the Servicer that each such report or certificate, as the case may be, is true and correct in all material respects; provided, however, that, to the extent any such report or certificate is based in part upon or contains assumptions, forecasts or other predictions of future events, the representation and warranty of the Servicer with respect thereto will be limited to the representation and warranty that such assumptions, forecasts or other predictions of future events are reasonable based upon historical performance (and facts known to the Servicer on the date such report or certificate is delivered).

SECTION 6.02. Indemnities of Servicer; Release of Claims. The Servicer shall be liable in accordance herewith only to the extent of the obligations specifically undertaken by the Servicer under this Servicing Agreement.

(a) The Servicer shall indemnify the Issuer, the Indenture Trustee (for itself and for the benefit of the Holders) and any Independent Manager, and each of their respective trustees, officers, directors, employees and agents (each, an "Indemnified Party"), for, and defend and hold harmless each such Person from and against, any and all Indemnified Losses imposed on, incurred by or asserted against any such Person as a result of (i) the Servicer's willful misconduct, recklessness or negligence in the performance of its duties or observance of its covenants under this Servicing Agreement and the Intercreditor Agreement or its reckless disregard of its obligations and duties under this Servicing Agreement or the Intercreditor Agreement, (ii) the Servicer's breach of any of its representations and warranties contained in this Servicing Agreement and the Intercreditor Agreement or (iii) any litigation or related expenses relating to the Servicer's status or obligations as Servicer (other than any proceeding the Servicer is required to institute under the Servicing Agreement), except to the extent of Indemnified Losses either resulting from the willful misconduct, bad faith or gross negligence of such Person seeking indemnification hereunder or resulting from a breach of a representation or warranty made by such Person seeking indemnification hereunder in any of the Basic Documents that gives rise to the Servicer's breach.

(b) For purposes of SECTION 6.02(a), in the event of the termination of the rights and obligations of Duke Energy Florida (or any successor thereto pursuant to SECTION 6.03) as Servicer pursuant to SECTION 7.01, or a resignation by such Servicer pursuant to this Servicing Agreement, such Servicer shall be deemed to be the Servicer pending appointment of a successor Servicer pursuant to SECTION 7.02.

(c) Indemnification under this SECTION 6.02 shall survive any repeal of, modification of, or supplement to, or judicial invalidation of, the Nuclear Asset-Recovery Law or the Financing Order and shall survive the resignation or removal of the Indenture Trustee or any Independent Manager or the termination of this Servicing Agreement and shall include reasonable out-of-pocket fees and expenses of investigation and litigation (including reasonable attorneys' fees and expenses).

(d) Except to the extent expressly provided in this Servicing Agreement or the other Basic Documents (including the Servicer's claims with respect to the Servicing Fee and the payment of the purchase price of Nuclear Asset-Recovery Property), the Servicer hereby releases and discharges the Issuer, any Independent Manager and the Indenture Trustee, and each of their respective officers, directors and agents (collectively, the "Released Parties"), from any and all actions, claims and demands whatsoever, whenever arising, which the Servicer, in its capacity as Servicer or otherwise, shall or may have against any such Person relating to the Nuclear Asset-Recovery Property or the Servicer's activities with respect thereto, other than any actions, claims and demands arising out of the willful misconduct, bad faith or gross negligence of the Released Parties.

(e) The Servicer shall indemnify the Commission, on behalf of the Customers, to the extent Customers incur Losses associated with higher servicing fees payable to a Successor Servicer as a result of the Servicer's negligence, recklessness or willful misconduct. Further, if the Servicer remains an entity subject to the Commission's regulatory authority as a public utility (or otherwise for ratemaking purposes), the Servicer hereby acknowledges and agrees that the Commission, subject to the outcome of an appropriate Commission proceeding, may take such action as the Commission deems necessary or appropriate under its regulatory authority to require the Servicer to make Customers whole for any Losses they incur in connection with the failure of any material representation, or warranty by the Servicer under this Agreement, or by reason of the Servicer's negligence, recklessness or willful misconduct, including without limitation Losses attributable to higher Nuclear Asset-Recovery Charges imposed on Customers by reason of additional Operating Expenses. The Servicer hereby acknowledges and agrees that such action by the Commission may include, but is not limited to, adjustments to the Servicer's other regulated rates and charges or credits to Customers. If the Servicer does not remain, or is not, subject to the Commission's regulatory authority as a public utility (or otherwise for ratemaking purposes), such Servicer shall indemnify the Commission, on behalf of the Customers, for any Losses incurred by Customers by reason of the Servicer's negligence, recklessness or willful misconduct, including without limitation Losses attributable to higher Nuclear Asset-Recovery Charges imposed on Customers by reason of additional Operating Expenses. The Servicer's indemnification under this SECTION 6.02(e) shall survive the termination of this Agreement, and any amounts paid with respect thereto shall be remitted and deposited with the Indenture Trustee for deposit in the Collection Account, unless otherwise directed by the Commission. Notwithstanding anything to the contrary in this Servicing Agreement or in any other Basic Document, so long as any Nuclear Asset-Recovery Bonds are Outstanding, any indemnity payments to the Commission (for the benefit of Customers) pursuant to this SECTION 6.02(e) shall be promptly remitted to the Indenture Trustee for deposit in the applicable Collection Account.

(f) The Servicer shall not be required to indemnify an Indemnified Party for any amount paid or payable by such Indemnified Party in the settlement of any action, proceeding or investigation without the written consent of the Servicer, which consent shall not be unreasonably withheld. Promptly after receipt by an Indemnified Party of notice (or, in the case of the Indenture Trustee, receipt of notice by a Responsible Officer only) of the

commencement of any action, proceeding or investigation, such Indemnified Party shall, if a claim in respect thereof is to be made against the Servicer under this SECTION 6.02, notify the Servicer in writing of the commencement thereof. Failure by an Indemnified Party to so notify the Servicer shall relieve the Servicer from the obligation to indemnify and hold harmless such Indemnified Party under this SECTION 6.02 only to the extent that the Servicer suffers actual prejudice as a result of such failure. With respect to any action, proceeding or investigation brought by a third party for which indemnification may be sought under this SECTION 6.02, the Servicer shall be entitled to conduct and control, at its expense and with counsel of its choosing that is reasonably satisfactory to such Indemnified Party, the defense of any such action, proceeding or investigation (in which case the Servicer shall not thereafter be responsible for the fees and expenses of any separate counsel retained by the Indemnified Party except as set forth below); provided, that the Indemnified Party shall have the right to participate in such action, proceeding or investigation through counsel chosen by it and at its own expense. Notwithstanding the Servicer's election to assume the defense of any action, proceeding or investigation, the Indemnified Party shall have the right to employ separate counsel (including local counsel), and the Servicer shall bear the reasonable fees, costs and expenses of such separate counsel, if (i) the defendants in any such action include both the Indemnified Party and the Servicer and the Indemnified Party shall have reasonably concluded that there may be legal defenses available to it that are different from or additional to those available to the Servicer, (ii) the Servicer shall not have employed counsel reasonably satisfactory to the Indemnified Party to represent the Indemnified Party within a reasonable time after notice of the institution of such action, (iii) the Servicer shall authorize the Indemnified Party to employ separate counsel at the expense of the Servicer or (iv) in the case of the Indenture Trustee, such action exposes the Indenture Trustee to a material risk of criminal liability or forfeiture or a Servicer Default has occurred and is continuing. Notwithstanding the foregoing, the Servicer shall not be obligated to pay for the fees, costs and expenses of more than one separate counsel for the Indemnified Parties other than one local counsel, if appropriate. The Servicer will not, without the prior written consent of the Indemnified Party, settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification may be sought under this SECTION 6.02 (whether or not the Indemnified Party is an actual or potential party to such claim or action) unless such settlement, compromise or consent includes an unconditional release of the Indemnified Party from all liability arising out of such claim, action, suit or proceeding.

SECTION 6.03. Binding Effect of Servicing Obligations. The obligations to continue to provide service and to collect and account for Nuclear Asset-Recovery Charges will be binding upon the Servicer, any Successor and any other entity that provides distribution services to a Person that is a Florida customer of Duke Energy Florida or any Successor so long as the Nuclear Asset-Recovery Charges have not been fully collected and posted. Any Person (a) into which the Servicer may be merged, converted or consolidated and that is a Permitted Successor, (b) that may result from any merger, conversion or consolidation to which the Servicer shall be a party and that is a Permitted Successor, (c) that may succeed to the properties and assets of the Servicer substantially as a whole and that is a Permitted Successor or (d) that

otherwise is a Permitted Successor, which Person in any of the foregoing cases executes an agreement of assumption to perform all of the obligations of the Servicer hereunder, shall be the successor to the Servicer under this Servicing Agreement without further act on the part of any of the parties to this Servicing Agreement; provided, however, that (i) immediately after giving effect to such transaction, no representation or warranty made pursuant to SECTION 6.01 shall have been breached and no Servicer Default and no event that, after notice or lapse of time, or both, would become a Servicer Default shall have occurred and be continuing, (ii) the Servicer shall have delivered to the Issuer, the Commission and the Indenture Trustee an Officer's Certificate and an Opinion of Counsel from external counsel stating that such consolidation, conversion, merger or succession and such agreement of assumption complies with this SECTION 6.03 and that all conditions precedent, if any, provided for in this Servicing Agreement relating to such transaction have been complied with, (iii) the Servicer shall have delivered to the Issuer, the Indenture Trustee, the Commission and the Rating Agencies an Opinion of Counsel from external counsel of the Servicer either (A) stating that, in the opinion of such counsel, all filings to be made by the Servicer, including filings with the Commission pursuant to the Nuclear Asset-Recovery Law and the UCC, have been executed and filed and are in full force and effect that are necessary to fully preserve, perfect and maintain the priority of the interests of the Issuer and the Liens of the Indenture Trustee in the Nuclear Asset-Recovery Property and reciting the details of such filings or (B) stating that, in the opinion of such counsel, no such action shall be necessary to preserve and protect such interests, (iv) the Servicer shall have delivered to the Issuer, the Indenture Trustee, the Commission and the Rating Agencies an Opinion of Counsel from independent tax counsel stating that, for U.S. federal income tax purposes, such consolidation, conversion, merger or succession and such agreement of assumption will not result in a material adverse U.S. federal income tax consequence to the Issuer or the Holders of Nuclear Asset-Recovery Bonds, (v) the Servicer shall have given the Rating Agencies prior written notice of such transaction and (vi) any applicable requirements of the Intercreditor Agreement have been satisfied. When any Person (or more than one Person) acquires the properties and assets of the Servicer substantially as a whole or otherwise becomes the successor, by merger, conversion, consolidation, sale, transfer, lease or otherwise, to all or substantially all the assets of the Servicer in accordance with the terms of this SECTION 6.03, then, upon satisfaction of all of the other conditions of this SECTION 6.03, the preceding Servicer shall automatically and without further notice be released from all its obligations hereunder (except for responsibilities for its actions prior to such release).

SECTION 6.04. Limitation on Liability of Servicer and Others.

(a) Except as otherwise provided under this Servicing Agreement, neither the Servicer nor any of the directors, officers, employees or agents of the Servicer shall be liable to the Issuer or any other Person for any action taken or for refraining from the taking of any action pursuant to this Servicing Agreement or for good faith errors in judgment; provided, however, that this provision shall not protect the Servicer or any such Person against any liability that would otherwise be imposed by reason of negligence, recklessness or willful misconduct in the performance of duties or by reason of reckless disregard of obligations and duties under this Servicing Agreement. The Servicer and any director, officer, employee or agent of the Servicer

may rely in good faith on the advice of counsel or on any document of any kind, prima facie properly executed and submitted by any Person, respecting any matters arising under this Servicing Agreement.

(b) The Servicer acknowledges that the Commission has authority to enforce all provisions of this Servicing Agreement for the benefit of Customers, including without limitation the enforcement of Section 6.02(e).

(c) Except as provided in this Servicing Agreement, including SECTION 5.02(d) and SECTION 5.02(e), the Servicer shall not be under any obligation to appear in, prosecute or defend any legal action relating to the Nuclear Asset-Recovery Property that is not directly related to one of the Servicer's enumerated duties in this Servicing Agreement or related to its obligation to pay indemnification, and that in its reasonable opinion may cause it to incur any expense or liability; provided, however, that the Servicer may, in respect of any Proceeding, undertake any action that it is not specifically identified in this Servicing Agreement as a duty of the Servicer but that the Servicer reasonably determines is necessary or desirable in order to protect the rights and duties of the Issuer or the Indenture Trustee under this Servicing Agreement and the interests of the Holders and Customers under this Servicing Agreement.

SECTION 6.05. Duke Energy Florida Not to Resign as Servicer. Subject to the provisions of SECTION 6.03, Duke Energy Florida shall not resign from the obligations and duties hereby imposed on it as Servicer under this Servicing Agreement unless Duke Energy Florida delivers to the Indenture Trustee and the Commission an opinion of external counsel to the effect that Duke Energy Florida's performance of its duties under this Servicing Agreement shall no longer be permissible under applicable law. No such resignation shall become effective until a successor Servicer shall have assumed the responsibilities and obligations of Duke Energy Florida in accordance with SECTION 7.02.

SECTION 6.06. Servicing Compensation.

(a) In consideration for its services hereunder, until the Collection in Full of the Nuclear Asset-Recovery Charges, the Servicer shall receive an annual fee (the "Servicing Fee") in an amount equal to (i) 0.05% of the aggregate initial principal amount of all Nuclear Asset-Recovery Bonds for so long as Duke Energy Florida or an Affiliate of Duke Energy Florida is the Servicer or (ii) if Duke Energy Florida or any of its Affiliates is not the Servicer, an amount agreed upon by the Successor Servicer and the Indenture Trustee, provided, that the Servicing Fee shall not exceed 0.6% of the aggregate initial principal amount of all Nuclear Asset-Recovery Bonds, unless the Commission has approved the appointment of the Successor Servicer or the Commission does not act to either approve or disapprove such appointment on or before the date which is 45 days after notice of the proposed appointment of the Successor Servicer is provided to the Commission in the same manner substantially as provided in SECTION 8.01(c)(ii). The Servicing Fee owing shall be calculated based on the initial principal amount of the Nuclear Asset-Recovery Bonds and shall be paid semi-annually, with half of the Servicing Fee being paid on each Payment Date. In addition, the Servicer shall be entitled to be

reimbursed by the Issuer for all costs and expenses of services performed by unaffiliated third parties and actually incurred by the Servicer in connection with the performance of its obligations under this Servicing Agreement in accordance with SECTION 6.06(d) (but, for the avoidance of doubt, excluding any such costs and expenses incurred by Duke Energy Florida in its capacity as Administrator), to the extent that such costs and expenses are supported by invoices or other customary documentation and are reasonably allocated to the Issuer ("Reimbursable Expenses").

(b) The Servicing Fee set forth in SECTION 6.06(a) shall be paid to the Servicer by the Indenture Trustee, on each Payment Date in accordance with the priorities set forth in Section 8.02(e) of the Indenture, by wire transfer of immediately available funds from the Collection Account to an account designated by the Servicer. Any portion of the Servicing Fee not paid on any such date shall be added to the Servicing Fee payable on the subsequent Payment Date. In no event shall the Indenture Trustee be liable for the payment of any Servicing Fee or other amounts specified in this SECTION 6.06; provided, that this SECTION 6.06 does not relieve the Indenture Trustee of any duties it has to allocate funds for payment for such fees under Section 8.02 of the Indenture.

(c) The foregoing Servicing Fee constitutes a fair and reasonable compensation for the obligations to be performed by the Servicer. Such Servicing Fee shall be determined without regard to the income of the Issuer, shall not be deemed to constitute distributions to the recipient of any profit, loss or capital of the Issuer and shall be considered a fixed Operating Expense of the Issuer subject to the limitations on such expenses set forth in the Financing Order.

(d) Any services required for or contemplated by the performance of the above-referenced services by the Servicer to be provided by unaffiliated third parties may, if provided for or otherwise contemplated by the Financing Order and if the Issuer deems it necessary or desirable, be arranged by the Issuer or by the Servicer at the direction (which may be general or specific) of the Issuer. Costs and expenses associated with the contracting for such third-party professional services may be paid directly by the Issuer or paid by the Servicer and reimbursed by the Issuer in accordance with SECTION 6.06(a), or otherwise as the Servicer and the Issuer may mutually arrange.

SECTION 6.07. Compliance with Applicable Law. The Servicer covenants and agrees, in servicing the Nuclear Asset-Recovery Property, to comply in all material respects with all laws applicable to, and binding upon, the Servicer and relating to the Nuclear Asset-Recovery Property, the noncompliance with which would have a material adverse effect on the value of the Nuclear Asset-Recovery Property; provided, however, that the foregoing is not intended to, and shall not, impose any liability on the Servicer for noncompliance with any Requirement of Law that the Servicer is contesting in good faith in accordance with its customary standards and procedures. It is expressly acknowledged that the payment of fees to the Rating Agencies shall be at the expense of the Issuer and that, if the Servicer advances such payments to the Rating Agencies, the Issuer shall reimburse the Servicer for any such advances.

SECTION 6.08. Access to Certain Records and Information Regarding Nuclear Asset-Recovery Property. The Servicer shall provide to the Indenture Trustee access to the Nuclear Asset-Recovery Property Records as is reasonably required for the Indenture Trustee to perform its duties and obligations under the Indenture and the other Basic Documents and shall provide access to such records to the Holders as required by applicable law. Access shall be afforded without charge, but only upon reasonable request and during normal business hours at the offices of the Servicer. Nothing in this SECTION 6.08 shall affect the obligation of the Servicer to observe any applicable law (including any Commission Regulation) prohibiting disclosure of information regarding Customers, and the failure of the Servicer to provide access to such information as a result of such obligation shall not constitute a breach of this SECTION 6.08.

SECTION 6.09. Appointments. The Servicer may at any time appoint any Person to perform all or any portion of its obligations as Servicer hereunder, including a collection agent acting pursuant to the Intercreditor Agreement; provided, however, that, unless such Person is an Affiliate of Duke Energy Florida, the Rating Agency Condition shall have been satisfied in connection therewith; provided, further, that the Servicer shall remain obligated and be liable under this Servicing Agreement for the servicing and administering of the Nuclear Asset-Recovery Property in accordance with the provisions hereof without diminution of such obligation and liability by virtue of the appointment of such Person and to the same extent and under the same terms and conditions as if the Servicer alone were servicing and administering the Nuclear Asset-Recovery Property. The fees and expenses of any such Person shall be as agreed between the Servicer and such Person from time to time, and none of the Issuer, the Indenture Trustee, the Holders or any other Person shall have any responsibility therefor or right or claim thereto. Any such appointment shall not constitute a Servicer resignation under SECTION 6.05.

SECTION 6.10. No Servicer Advances. The Servicer shall not make any advances of interest on or principal of the Nuclear Asset-Recovery Bonds.

SECTION 6.11. Remittances. [**Duke Energy Florida is exploring the option of less frequent remittances depending on the Servicer's credit rating and other factors**]

(a) [The Nuclear Asset-Recovery Charge Collections on any Servicer Business Day (the "Daily Remittance") shall be calculated according to the procedures set forth in EXHIBIT A and remitted by the Servicer as soon as reasonably practicable to the General Subaccount of the Collection Account but in no event later than two Servicer Business Days following such Servicer Business Day. Prior to each remittance to the General Subaccount of the Collection Account pursuant to this SECTION 6.11, the Servicer shall provide written notice (which may be via electronic means, including electronic mail) to the Indenture Trustee and, upon request, to the Issuer of each such remittance (including the exact dollar amount to be remitted). The Servicer shall also, promptly upon receipt, remit to the Collection Account any other proceeds of the Nuclear Asset-Recovery Bond Collateral that it may receive from time to time. Reconciliations of bank statements shall be as set forth in EXHIBIT A.]

(b) The Servicer agrees and acknowledges that it holds all Nuclear Asset-Recovery Charge Payments collected by it and any other proceeds for the Nuclear Asset-Recovery Bond Collateral received by it for the benefit of the Indenture Trustee and the Holders and that all such amounts will be remitted by the Servicer in accordance with this SECTION 6.11 without any surcharge, fee, offset, charge or other deduction except for late fees and interest earnings permitted by SECTION 6.06. The Servicer further agrees not to make any claim to reduce its obligation to remit all Nuclear Asset-Recovery Charge Payments collected by it in accordance with this Servicing Agreement except for late fees permitted by SECTION 6.06.

(c) Unless otherwise directed to do so by the Issuer, the Servicer shall be responsible for selecting Eligible Investments in which the funds in the Collection Account shall be invested pursuant to Section 8.03 of the Indenture.

SECTION 6.12. Maintenance of Operations. Subject to SECTION 6.03, Duke Energy Florida agrees to continue, unless prevented by circumstances beyond its control, to operate its electric distribution system to provide service so long as it is acting as the Servicer under this Servicing Agreement.

ARTICLE VII
DEFAULT

SECTION 7.01. Servicer Default. If any one or more of the following events (a "Servicer Default") shall occur and be continuing:

(a) any failure by the Servicer to remit to the Collection Account on behalf of the Issuer any required remittance that shall continue unremedied for a period of five Business Days after written notice of such failure is received by the Servicer and the Commission from the Issuer or the Indenture Trustee or after discovery of such failure by a Responsible Officer of the Servicer;

(b) any failure on the part of the Servicer or, so long as the Servicer is Duke Energy Florida or an Affiliate thereof, any failure on the part of Duke Energy Florida, as the case may be, duly to observe or to perform in any material respect any covenants or agreements of the Servicer or Duke Energy Florida, as the case may be, set forth in this Servicing Agreement (other than as provided in SECTION 7.01(a) or SECTION 7.01(c)) or any other Basic Document to which it is a party, which failure shall (i) materially and adversely affect the rights of the Holders and (ii) continue unremedied for a period of 60 days after the date on which (A) written notice of such failure, requiring the same to be remedied, shall have been given to the Servicer or Duke Energy Florida, as the case may be, by the Issuer, the Commission (with a copy to the Indenture Trustee) or to the Servicer or Duke Energy Florida, as the case may be, by the Indenture Trustee or (B) such failure is discovered by a Responsible Officer of the Servicer;

(c) any failure by the Servicer duly to perform its obligations under SECTION 4.01(b) in the time and manner set forth therein, which failure continues unremedied for a period of five Business Days;

(d) any representation or warranty made by the Servicer in this Servicing Agreement or any other Basic Document shall prove to have been incorrect in a material respect when made, which has a material adverse effect on the Holders and which material adverse effect continues unremedied for a period of 60 days after the date on which (i) written notice thereof, requiring the same to be remedied, shall have been delivered to the Servicer (with a copy to the Indenture Trustee) by the Issuer, the Commission or the Indenture Trustee or (ii) such failure is discovered by a Responsible Officer of the Servicer; or

(e) an Insolvency Event occurs with respect to the Servicer or Duke Energy Florida;

then, and in each and every case, so long as the Servicer Default shall not have been remedied, either the Indenture Trustee may (if it is actually known by a Responsible Officer of the Indenture Trustee), or shall upon the instruction of Holders evidencing a majority of the Outstanding Amount of the Nuclear Asset-Recovery Bonds or by the Commission, subject to the terms of the Intercreditor Agreement, by notice then given in writing to the Servicer (and to the Indenture Trustee if given by the Holders) (a "Termination Notice"), terminate all the rights and obligations (other than the obligations set forth in SECTION 6.02 and the obligation under SECTION 7.02 to continue performing its functions as Servicer until a successor Servicer is appointed) of the Servicer under this Servicing Agreement and under the Intercreditor Agreement; *provided*, *however* the Indenture Trustee shall not give a Termination Notice upon instruction of the Commission unless the Rating Agency Condition is satisfied. In addition, upon a Servicer Default described in SECTION 7.01(a), the Holders and the Indenture Trustee as financing parties under the Nuclear Asset-Recovery Law (or any of their representatives) shall be entitled to apply to the Commission or a court of appropriate jurisdiction for an order for sequestration and payment of revenues arising with respect to the Nuclear Asset-Recovery Property. On or after the receipt by the Servicer of a Termination Notice, all authority and power of the Servicer under this Servicing Agreement, whether with respect to the Nuclear Asset-Recovery Bonds, the Nuclear Asset-Recovery Property, the Nuclear Asset-Recovery Charges or otherwise, shall, without further action, pass to and be vested in such successor Servicer as may be appointed under SECTION 7.02; and, without limitation, the Indenture Trustee is hereby authorized and empowered to execute and deliver, on behalf of the predecessor Servicer, as attorney-in-fact or otherwise, any and all documents and other instruments, and to do or accomplish all other acts or things necessary or appropriate to effect the purposes of such Termination Notice, whether to complete the transfer of the Nuclear Asset-Recovery Property Records and related documents, or otherwise. The predecessor Servicer shall cooperate with the successor Servicer, the Issuer and the Indenture Trustee in effecting the termination of the responsibilities and rights of the predecessor Servicer under this

Servicing Agreement, including the transfer to the successor Servicer for administration by it of all Nuclear Asset-Recovery Property Records and all cash amounts that shall at the time be held by the predecessor Servicer for remittance, or shall thereafter be received by it with respect to the Nuclear Asset-Recovery Property or the Nuclear Asset-Recovery Charges. As soon as practicable after receipt by the Servicer of such Termination Notice, the Servicer shall deliver the Nuclear Asset-Recovery Property Records to the successor Servicer. In case a successor Servicer is appointed as a result of a Servicer Default, all reasonable costs and expenses (including reasonable attorneys' fees and expenses) incurred in connection with transferring the Nuclear Asset-Recovery Property Records to the successor Servicer and amending this Servicing Agreement and the Intercreditor Agreement to reflect such succession as Servicer pursuant to this SECTION 7.01 shall be paid by the predecessor Servicer upon presentation of reasonable documentation of such costs and expenses. Termination of Duke Energy Florida as Servicer shall not terminate Duke Energy Florida's rights or obligations under the Sale Agreement (except rights thereunder deriving from its rights as the Servicer hereunder).

SECTION 7.02. Appointment of Successor.

(a) Upon the Servicer's receipt of a Termination Notice pursuant to SECTION 7.01 or the Servicer's resignation or removal in accordance with the terms of this Servicing Agreement, the predecessor Servicer shall continue to perform its functions as Servicer under this Servicing Agreement and shall be entitled to receive the requisite portion of the Servicing Fee, until a successor Servicer shall have assumed in writing the obligations of the Servicer hereunder as described below. In the event of the Servicer's removal or resignation hereunder, the Indenture Trustee may, at the written direction and with the consent of the Holders of a majority of the Outstanding Amount of the Nuclear Asset-Recovery Bonds or of the Commission shall, but subject to the provisions of the Intercreditor Agreement, appoint a successor Servicer with the Issuer's prior written consent thereto (which consent shall not be unreasonably withheld), and the successor Servicer shall accept its appointment by a written assumption in form reasonably acceptable to the Issuer and the Indenture Trustee and provide prompt written notice of such assumption to the Issuer, the Commission and the Rating Agencies. If, within 30 days after the delivery of the Termination Notice, a new Servicer shall not have been appointed, the Indenture Trustee may petition the Commission or a court of competent jurisdiction to appoint a successor Servicer under this Servicing Agreement. A Person shall qualify as a successor Servicer only if (i) such Person is permitted under Commission Regulations to perform the duties of the Servicer, (ii) the Rating Agency Condition shall have been satisfied, (iii) such Person enters into a servicing agreement with the Issuer having substantially the same provisions as this Servicing Agreement and (iv) such Person agrees to perform the obligations of the Servicer under the Intercreditor Agreement. In no event shall the Indenture Trustee be liable for its appointment of a successor Servicer. The Indenture Trustee's expenses incurred under this SECTION 7.02(a) shall be at the sole expense of the Issuer and payable from the Collection Account as provided in Section 8.02 of the Indenture.

(b) Upon appointment, the successor Servicer shall be the successor in all respects to the predecessor Servicer and shall be subject to all the responsibilities, duties and liabilities arising thereafter placed on the predecessor Servicer and shall be entitled to the Servicing Fee and all the rights granted to the predecessor Servicer by the terms and provisions of this Servicing Agreement.

SECTION 7.03. Waiver of Past Defaults. The Indenture Trustee, with the written consent of the Commission and the consent of the Holders evidencing a majority of the Outstanding Amount of the Nuclear Asset-Recovery Bonds, may waive in writing any default by the Servicer in the performance of its obligations hereunder and its consequences, except a default in making any required deposits to the Collection Account in accordance with this Servicing Agreement. Upon any such waiver of a past default, such default shall cease to exist, and any Servicer Default arising therefrom shall be deemed to have been remedied for every purpose of this Servicing Agreement. No such waiver shall extend to any subsequent or other default or impair any right consequent thereto. Promptly after the execution of any such waiver, the Servicer shall furnish copies of such waiver to each of the Rating Agencies.

SECTION 7.04. Notice of Servicer Default. The Servicer shall deliver to the Issuer, the Indenture Trustee, the Commission and the Rating Agencies, promptly after having obtained knowledge thereof, but in no event later than five Business Days thereafter, written notice of any event that, with the giving of notice or lapse of time, or both, would become a Servicer Default under SECTION 7.01.

SECTION 7.05. Cooperation with Successor. The Servicer covenants and agrees with the Issuer that it will, on an ongoing basis, cooperate with the successor Servicer and provide whatever information is, and take whatever actions are, reasonably necessary to assist the successor Servicer in performing its obligations hereunder.

ARTICLE VIII
MISCELLANEOUS PROVISIONS

SECTION 8.01. Amendment.

(a) Subject to SECTION 8.01(c), this Servicing Agreement may be amended in writing by the Servicer and the Issuer with the prior written consent of the Indenture Trustee and the satisfaction of the Rating Agency Condition; provided, that any such amendment may not adversely affect the interest of any Holder in any material respect without the consent of the Holders of a majority of the Outstanding Amount. Promptly after the execution of any such amendment or consent, the Issuer shall furnish copies of such amendment or consent to each of the Rating Agencies.

(b) Prior to the execution of any amendment to this Servicing Agreement, the Issuer and the Indenture Trustee shall be entitled to receive and conclusively rely upon an Opinion of Counsel of external counsel stating that such amendment is authorized and permitted

by this Servicing Agreement and all conditions precedent, if any, provided for in this Servicing Agreement relating to such amendment have been satisfied and upon the Opinion of Counsel from external counsel referred to in SECTION 3.01(c)(i). The Issuer and the Indenture Trustee may, but shall not be obligated to, enter into any such amendment that affects their own rights, duties, indemnities or immunities under this Servicing Agreement or otherwise.

(c) Notwithstanding anything to the contrary in this Section 8.01, no amendment or modification of this Servicing Agreement, nor any waiver required by Section 7.03 hereof, shall be effective except upon satisfaction of the conditions precedent in this paragraph (c).

(i) At least 15 days prior to the effectiveness of any such amendment or modification and after obtaining the other necessary approvals set forth in SECTION 8.01(a) (except that the consent of the Indenture Trustee may be subject to the consent of the Holders if such consent is required or sought by the Indenture Trustee in connection with such amendment or modification) or prior to the effectiveness of any waiver of a default approved by the Holders of a majority of the Outstanding Amount of the Nuclear Asset-Recovery Bonds, the Servicer shall have delivered to the Commission's executive director and general counsel written notification of any proposed amendment, which notification shall contain:

(A) a reference to Docket No. [ ];

(B) an Officer's Certificate stating that the proposed amendment or modification has been approved by all parties to this Servicing Agreement or alternatively, the waiver of default has been approved by the Holders of a majority of the Outstanding Amount of Nuclear Asset-Recovery Bonds; and

(C) a statement identifying the person to whom the Commission is to address any response to the proposed amendment or to request additional time.

(ii) If the Commission or an authorized representative of the Commission, within 15 days (subject to extension as provided in clause (iii)) of receiving a notification complying with subparagraph (i), shall have delivered to the office of the person specified in clause (i)(C) a written statement that the Commission might object to the proposed amendment or modification, or to the waiver of default, then, subject to clause (iv) below, such proposed amendment or modification, or the waiver of default, shall not be effective unless and until the Commission subsequently delivers a written statement that it does not object to such proposed amendment or modification.

(iii) If the Commission or an authorized representative of the Commission, within 15 days of receiving a notification complying with subparagraph (i), shall have delivered to the office of the person specified in clause (i)(C) a written statement requesting an additional amount of time not to exceed thirty days (or, in the case of a waiver of default, 15 days) in which to consider such proposed amendment or modification, then such proposed amendment or modification shall not be effective if, within such extended period, the Commission shall have delivered to the office of the person specified in clause (i)(C) a written statement as described in subparagraph (ii), unless and until the Commission subsequently delivers a written statement that it does not object to such proposed amendment or modification.

(iv) If (A) the Commission or an authorized representative of the Commission, shall not have delivered written notice that the Commission might object to such proposed amendment or modification, or the waiver of default, within the time periods described in subparagraphs (ii) or (iii), whichever is applicable, or (B) the Commission or authorized representative of the Commission, has delivered such written notice but does not within 60 days of the delivery of the notification in (a) above, provide subsequent written notice confirming that it does in fact object and the reasons therefore or advise that it has initiated a proceeding to determine what action it might take with respect to the matter, then the Commission shall be conclusively deemed not to have any objection to the proposed amendment or modification or waiver of default, as the case may be, and such amendment or modification or waiver of default, as the case may be, may subsequently become effective upon satisfaction of the other conditions specified in Section 8.01(a).

(v) Following the delivery of a statement from the Commission or an authorized representative of the Commission to the Servicer under subparagraph (ii), the Servicer and the Issuer shall have the right at any time to withdraw from the Commission further consideration of any proposed amendment, modification or waiver of default.

(d) For the purpose of this SECTION 8.01(a), an "authorized representative of the Commission" means any person authorized to act on behalf of the Commission, as evidenced by an Opinion of Counsel (which may be the general counsel) to the Commission.

SECTION 8.02. Maintenance of Accounts and Records.

(a) The Servicer shall maintain accounts and records as to the Nuclear Asset-Recovery Property accurately and in accordance with its standard accounting procedures and in sufficient detail to permit reconciliation between Nuclear Asset-Recovery Charge Payments received by the Servicer and Nuclear Asset-Recovery Charge Collections from time to time deposited in the Collection Account.

(b) The Servicer shall permit the Indenture Trustee and its agents at any time during normal business hours, upon reasonable notice to the Servicer and to the extent it does not unreasonably interfere with the Servicer's normal operations, to inspect, audit and make copies of and abstracts from the Servicer's records regarding the Nuclear Asset-Recovery Property and the Nuclear Asset-Recovery Charges. Nothing in this SECTION 8.02(b) shall affect the obligation of the Servicer to observe any applicable law (including any Commission Regulation) prohibiting disclosure of information regarding Customers, and the failure of the Servicer to provide access to such information as a result of such obligation shall not constitute a breach of this SECTION 8.02(b).

SECTION 8.03. Notices. Any notice, report or other communication given hereunder shall be in writing and shall be effective (i) upon receipt when sent through the mails, registered or certified mail, return receipt requested, postage prepaid, with such receipt to be effective the date of delivery indicated on the return receipt, (ii) upon receipt when sent by an overnight courier, (iii) on the date personally delivered to an authorized officer of the party to which sent or (iv) on the date transmitted by facsimile or other electronic transmission with a confirmation of receipt in all cases, addressed as follows:

(a) in the case of the Servicer, to Duke Energy Florida, Inc., at 299 First Avenue North, St. Petersburg, Florida 33701, Attention: [ ], Telephone: [ ], Facsimile: [ ] in care of (c/o): [ ];

(b) in the case of the Issuer, to [DEF SPE] LLC, at 299 First Avenue North, St. Petersburg, Florida 33701, Attention: [ ], Telephone: [ ], Facsimile: [ ] in care of (c/o): [ ];

(c) in the case of the Indenture Trustee, to the Corporate Trust Office;

(d) [in the case of Fitch, to Fitch Ratings, 33 Whitehall Street, New York, New York 10004, Attention: ABS Surveillance, Telephone: (212) 908-0500, Facsimile: (212) 908-0355;]

(e) in the case of Moody's, to Moody's Investors Service, Inc., ABS/RMBS Monitoring Department, 25th Floor, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007, Email: servicerreports@moodys.com (all such notices to be delivered to Moody's in writing by email);

(f) in the case of S&P, to Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business, Structured Credit Surveillance, 55 Water Street, New York, New York 10041, Telephone: (212) 438-8991, Email: servicer_reports@standardandpoors.com (all such notices to be delivered to S&P in writing by email); and

(g) in the case of the Commission, Florida Public Services Commission, 2450 Shumard Oak Blvd., Tallahassee, Florida, 32399-0850, Attention: [Executive Director and General Counsel].

Each party hereto may, by notice given in accordance herewith to the other party or parties hereto, designate any further or different address to which subsequent notices, reports and other communications shall be sent.

SECTION 8.04. Assignment. Notwithstanding anything to the contrary contained herein, except as provided in SECTION 6.03 and as provided in the provisions of this Servicing Agreement concerning the resignation of the Servicer, this Servicing Agreement may not be assigned by the Servicer. Any assignment of this Servicing Agreement is subject to satisfaction of any conditions set forth in the Intercreditor Agreement.

SECTION 8.05. Limitations on Rights of Others. The provisions of this Servicing Agreement are solely for the benefit of the Servicer, the Issuer, the Commission, on behalf of itself and Customers, and, to the extent provided herein or in the other Basic Documents, the Indenture Trustee and the Holders, and the other Persons expressly referred to herein, and such Persons shall have the right to enforce the relevant provisions of this Servicing Agreement. Nothing in this Servicing Agreement, whether express or implied, shall be construed to give to any other Person any legal or equitable right, remedy or claim in the Nuclear Asset-Recovery Property or Nuclear Asset-Recovery Bond Collateral or under or in respect of this Servicing Agreement or any covenants, conditions or provisions contained herein. Notwithstanding anything to the contrary contained herein, for the avoidance of doubt, any right, remedy or claim to which any Customer may be entitled pursuant to the Financing Order and to this Servicing Agreement may be asserted or exercised only by the Commission (or by its counsel in the name of the Commission) for the benefit of such Customer.

SECTION 8.06. Severability. Any provision of this Servicing Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remainder of such provision (if any) or the remaining provisions hereof (unless such a construction shall be unreasonable), and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

SECTION 8.07. Separate Counterparts. This Servicing Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

SECTION 8.08. Governing Law. This Servicing Agreement shall be governed by and construed in accordance with the laws of the State of Florida, without reference to its conflict of law provisions, and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with such laws.

SECTION 8.09. Assignment to Indenture Trustee. The Servicer hereby acknowledges and consents to any mortgage, pledge, assignment and grant of a security interest by the Issuer to the Indenture Trustee for the benefit of the Secured Parties pursuant to the Indenture of any or all of the Issuer's rights hereunder. In no event shall the Indenture Trustee have any liability for the representations, warranties, covenants, agreements or other obligations of the Issuer hereunder or in any of the certificates delivered pursuant hereto, as to all of which any recourse shall be had solely to the assets of the Issuer subject to the availability of funds therefor under Section 8.02 of the Indenture.

SECTION 8.10. Nonpetition Covenants. Notwithstanding any prior termination of this Servicing Agreement or the Indenture, the Servicer shall not, prior to the date that is one year and one day after the satisfaction and discharge of the Indenture, acquiesce, petition or otherwise invoke or cause the Issuer to invoke or join with any Person in provoking the process of any Governmental Authority for the purpose of commencing or sustaining an involuntary case against the Issuer under any U.S. federal or state bankruptcy, insolvency or similar law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of the Issuer for any substantial part of the property of the Issuer or ordering the dissolution, winding up or liquidation of the affairs of the Issuer.

SECTION 8.11. Limitation of Liability. It is expressly understood and agreed by the parties hereto that this Servicing Agreement is executed and delivered by the Indenture Trustee, not individually or personally but solely as Indenture Trustee in the exercise of the powers and authority conferred and vested in it, and that the Indenture Trustee, in acting hereunder, is entitled to all rights, benefits, protections, immunities and indemnities accorded to it under the Indenture.

SECTION 8.12. Rule 17g-5 Compliance. The Servicer agrees that any notice, report, request for satisfaction of the Rating Agency Condition, document or other information provided by the Servicer to any Rating Agency under this Servicing Agreement or any other Basic Document to which it is a party for the purpose of determining the initial credit rating of the Nuclear Asset-Recovery Bonds or undertaking credit rating surveillance of the Nuclear Asset-Recovery Bonds with any Rating Agency, or satisfy the Rating Agency Condition, shall be substantially concurrently posted by the Servicer on the 17g-5 Website.

SECTION 8.13. Indenture Trustee Actions. In acting hereunder, the Indenture Trustee shall have the rights, protections and immunities granted to it under the Indenture.

{SIGNATURE PAGE FOLLOWS}

IN WITNESS WHEREOF, the parties hereto have caused this Servicing Agreement to be duly executed by their respective officers as of the day and year first above written.

[DEF SPE] LLC,
as Issuer

By: _____
Name:
Title:

DUKE ENERGY FLORIDA, INC.,
as Servicer

By: _____
Name:
Title:

ACKNOWLEDGED AND ACCEPTED:

THE BANK OF NEW YORK MELLON,
as Indenture Trustee

By: _____
Name:
Title:

EXHIBIT A

SERVICING PROCEDURES

The Servicer agrees to comply with the following servicing procedures:

[To be added]

EXHIBIT B

FORM OF MONTHLY SERVICER'S CERTIFICATE

See Attached.

MONTHLY SERVICER'S CERTIFICATE

[DEF SPE] LLC
$[ ] Nuclear Asset-Recovery Bonds, Series 20[ ]

Pursuant to SECTION 3.01(b) of the Nuclear Asset-Recovery Property Servicing Agreement dated as of [, 20] by and between **Duke Energy Florida, Inc.**, as Servicer, and **[DEF SPE] LLC**, as Issuer (the "Servicing Agreement"), the Servicer does hereby certify as follows:

Capitalized terms used but not defined in this Monthly Servicer's Certificate have their respective meanings as set forth in the Servicing Agreement. References herein to certain sections and subsections are references to the respective sections or subsections of the Servicing Agreement.

Current BILLING MONTH: {_____}

Current BILLING MONTH: {__/__/20__} - {__/__/20__} COLLECTION CURVE {____}%

Standard Billing for prior BILLING MONTH

Residential Total Billed	${_____}	
Residential NUCLEAR ASSET-RECOVERY CHARGE ("NARC") Billed	${_____}	{_.____}%
Commercial Total Billed	${_____}	
Commercial NARC Billed	${_____}	{_.____}%
Industrial Total Billed	${_____}	
Industrial NARC Billed	${_____}	{_.____}%
Other Total Billed	${_____}	
Other NARC Billed	${_____}	{_.____}%

YTD Net Write-offs as a % of Billed Revenue

Non-Residential Class Customer Write-offs	{_.____}%
Residential Class Customer Write-offs	{_.____}%
Total Write-offs	{_.____}%

Aggregate NARC Collections

Total NARC Remitted for BILLING MONTH

Residential NARC Collected	${_____}
Commercial NARC Collected	${_____}
Industrial NARC Collected	${_____}
Other NARC Collected	${_____}
Sub-Total of NARC Collected	${_____}
Total NARC Collected and Remitted	${_____}
Aggregate NARC Remittances for {_____ 20__} BILLING MONTH	${_____}
Aggregate NARC Remittances for {_____ 20__} BILLING MONTH	${_____}

Aggregate NARC Remittances for {_____ 20__} BILLING MONTH $\${_____}$

Total Current NARC Remittances $\${_____}$
Current BILLING MONTH: {__/__/20__} - {__/__/20__} COLLECTION CURVE {____}%

Executed as of this {____} day of {_____} 20{__}.

DUKE ENERGY FLORIDA, INC.,
as Servicer

By: _____
Name:
Title:

CC: [DEF SPE] LLC

EXHIBIT C

FORM OF SEMI-ANNUAL SERVICER'S CERTIFICATE

See attached.

SEMI-ANNUAL SERVICER'S CERTIFICATE

Pursuant to SECTION 4.01(c)(ii) of the Nuclear Asset-Recovery Property Servicing Agreement, dated as of [, 20] (the "Servicing Agreement"), by and between **DUKE ENERGY FLORIDA, INC.**, as servicer (the "Servicer"), and **[DEF SPE] LLC**, the Servicer does hereby certify, for the {_____}, 20{__} Payment Date (the "Current Payment Date"), as follows:

Capitalized terms used but not defined herein have their respective meanings as set forth in the Servicing Agreement. References herein to certain sections and subsections are references to the respective sections of the Servicing Agreement or the Indenture, as the context indicates.

Collection Periods: {_____} to {_____}

Payment Date: {_____}, 20{__}

1. Collections Allocable and Aggregate Amounts Available for the Current Payment Date:

i.	Remittances for the {_____} Collection Period	${_____}
ii.	Remittances for the {_____} Collection Period	${_____}
iii.	Remittances for the {_____} Collection Period	${_____}
iv.	Remittances for the {_____} Collection Period	${_____}
v.	Remittances for the {_____} Collection Period	${_____}
vi.	Remittances for the {_____} Collection Period	${_____}
vii.	Investment Earnings on Capital Subaccount	${_____}
viii.	Investment Earnings on Excess Funds Subaccount	${_____}
ix.	Investment Earnings on General Subaccount	${_____}
x.	**General Subaccount Balance (sum of i through ix above)**	${_____}
xi.	Excess Funds Subaccount Balance as of prior Payment Date	${_____}
xii.	Capital Subaccount Balance as of prior Payment Date	${_____}
xiii.	**Collection Account Balance (sum of xi through xii above)**	${_____}

2. Outstanding Amounts of as of prior Payment Date:

i.	Tranche {__} Outstanding Amount	${_____}
ii.	Tranche {__} Outstanding Amount	${_____}
iii.	Tranche {__} Outstanding Amount	${_____}
iv.	**Aggregate Outstanding Amount of all Tranches**	${_____}

3. Required Funding/Payments as of Current Payment Date:

	Principal	***Principal Due***
i.	Tranche {__}	${_____}
ii.	Tranche {__}	${_____}
iii.	Tranche {__}	${_____}
iv.	**All Tranches**	${_____}

Interest

Tranche		**Interest Rate**	**Days in Interest Period**[1]	**Principal Balance**	**Interest Due**
v.	Tranche {__}	{__}%	{_____}	${_____}	${_____}
vi.	Tranche {__}	{__}%	{_____}	${_____}	${_____}
vii.	Tranche {__}	{__}%	{_____}	${_____}	${_____}
viii.		**All Tranches**			${_____}
				Required Level	**Funding Required**
ix.	Capital Subaccount			${_____}	${_____}

4. Allocation of Remittances as of Current Payment Date Pursuant to 8.02(e) of Indenture:

i. Trustee Fees and Expenses; Indemnity Amounts2		${_____}	
ii. Servicing Fee		${_____}	
iii. Administration Fee		${_____}	
iv. Operating Expenses		${_____}	
Tranche	Aggregate	Per $1,000 of Original Principal Amount	
v. Semi-Annual Interest (including any past-due for prior periods)		${_____}	
1. Tranche {__} Interest Payment	${_____}	${_____}	
2. Tranche {__} Interest Payment	${_____}	${_____}	
3. Tranche {__} Interest Payment	${_____}	${_____}	
	${_____}		
vi. Principal Due and Payable as a Result of an Event of Default or on Final Maturity Date			${_____}
1. Tranche {__} Interest Payment	${_____}	${_____}	
2. Tranche {__} Interest Payment	${_____}	${_____}	
3. Tranche {__} Interest Payment	${_____}	${_____}	
	${_____}		
vii. Semi-Annual Principal			${_____}
1. Tranche {__} Interest Payment	${_____}	${_____}	
2. Tranche {__} Interest Payment	${_____}	${_____}	
3. Tranche {__} Interest Payment	${_____}	${_____}	
	${_____}		

[1]On 30/360 day basis for initial payment date; otherwise use one-half of annual rate.
[2]Subject to ${_____} annual cap.

viii. Other unpaid Operating Expenses	${_____}
ix. Funding of Capital Subaccount (to required level)	${_____}
x. Capital Subaccount Return to Duke Energy Florida	${_____}
xi. Deposit to Excess Funds Subaccount	${_____}
xii. Released to Issuer upon Retirement of all Nuclear Asset-Recovery Bonds	${_____}
xiii. Aggregate Remittances as of Current Payment Date	${_____}

5. Outstanding Amount and Collection Account Balance as of Current Payment Date (after giving effect to payments to be made on such Payment Date):

i.	Tranche {__}	${_____}
ii.	Tranche {__}	${_____}
iii.	Tranche {__}	${_____}
iv.	Aggregate Outstanding Amount of all Tranches	${_____}
v.	Excess Funds Subaccount Balance	${_____}
vi.	Capital Subaccount Balance	${_____}
vii.	Aggregate Collection Account Balance	${_____}

6. Subaccount Withdrawals as of Current Payment Date (if applicable, pursuant to Section 8.02(e) of Indenture:

i.	Excess Funds Subaccount	${_____}
ii.	Capital Subaccount	${_____}
iii.	Total Withdrawals	${_____}

7. Shortfalls in Interest and Principal Payments as of Current Payment Date:

i.	Semi-annual Interest	
	Tranche {__} Interest Payment	${_____}
	Tranche {__} Interest Payment	${_____}
	Tranche {__} Interest Payment	${_____}
	Total	${_____}
ii.	Semi-annual Principal	
	Tranche {__} Principal Payment	${_____}
	Tranche {__} Principal Payment	${_____}
	Tranche {__} Principal Payment	${_____}
	Total	${_____}

8. Shortfalls in Payment of Capital Subaccount Investment Earnings as of Current Payment Date:

i.	Capital Subaccount Investment Earnings	${_____}

9. Shortfalls in Required Subaccount Levels as of Current Payment Date:

i. Capital Subaccount ${_____}

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Semi-Annual Servicer's Certificate this {____} day of {_____}, 20{__}.

DUKE ENERGY FLORIDA, INC.,
as Servicer

By: _____
Name:
Title:

EXHIBIT D

FORM OF SERVICER CERTIFICATE

See attached.

SERVICER CERTIFICATE

The undersigned hereby certifies that the undersigned is the duly elected and acting {_____} of **DUKE ENERGY FLORIDA, INC.**, as servicer (the "Servicer") under the Nuclear Asset-Recovery Property Servicing Agreement dated as of [, 20] (the "Servicing Agreement") by and between the Servicer and **[DEF SPE] LLC**, and further certifies that:

1. The undersigned is responsible for assessing the Servicer's compliance with the servicing criteria set forth in Item 1122(d) of Regulation AB (the "Servicing Criteria").

2. With respect to each of the Servicing Criteria, the undersigned has made the following assessment of the Servicing Criteria in accordance with Item 1122(d) of Regulation AB, with such discussion regarding the performance of such Servicing Criteria during the fiscal year covered by the Sponsor's annual report on Form 10-K:

Regulation AB Reference	**Servicing Criteria**	**Assessment**
General Servicing Considerations		
1122(d)(1)(i)	Policies and procedures are instituted to monitor any performance or other triggers and events of default in accordance with the transaction agreements.	Applicable; assessment below.
1122(d)(1)(ii)	If any material servicing activities are outsourced to third parties, policies and procedures are instituted to monitor the third party's performance and compliance with such servicing activities.	Not applicable; no servicing activities were outsourced.
1122(d)(1)(iii)	Any requirements in the transaction agreements to maintain a back-up servicer for pool assets are maintained.	Not applicable; transaction agreements do not provide for a back-up servicer.
1122(d)(1)(iv)	A fidelity bond and errors and omissions policy is in effect on the party participating in the servicing function throughout the reporting period in the amount of coverage required by and otherwise in accordance with the terms of the transaction agreements.	Not applicable; transaction agreements do not require a fidelity bond or errors and omissions policy.
1122(d)(1)(v)	Aggregation of information, as applicable, is mathematically accurate and the information conveyed accurately reflects the information.	Applicable
Cash Collection and Administration		

Regulation AB Reference	Servicing Criteria	Assessment
1122(d)(2)(i)	Payments on pool assets are deposited into the appropriate custodial bank accounts and related bank clearing accounts no more than two business days following receipt, or such other number of days specified in the transaction agreements.	Applicable.
1122(d)(2)(ii)	Disbursements made via wire transfer on behalf of an obligor or to an investor are made only by authorized personnel.	Applicable.
1122(d)(2)(iii)	Advances of funds or guarantees regarding collections, cash flows or distributions, and any interest or other fees charged for such advances, are made, reviewed and approved as specified in the transaction agreements.	Applicable; no advances by the Servicer are permitted under the transaction agreements, except for payments of certain indemnities.
1122(d)(2)(iv)	The related accounts for the transaction, such as cash reserve accounts or accounts established as a form of overcollateralization, are separately maintained (e.g., with respect to commingling of cash) as set forth in the transaction agreements.	Applicable, but no current assessment is required since the related accounts are maintained by the Indenture Trustee.
1122(d)(2)(v)	Each custodial account is maintained at a federally insured depository institution as set forth in the transaction agreements. For purposes of this criterion, "federally insured depository institution" with respect to a foreign financial institution means a foreign financial institution that meets the requirements of Rule 13k-1(b)(1) under the Exchange Act.	Applicable, but no current assessment required; all "custodial accounts" are maintained by the Indenture Trustee.
1122(d)(2)(vi)	Unissued checks are safeguarded so as to prevent unauthorized access.	Not applicable; all payments made by wire transfer.
1122(d)(2)(vii)	Reconciliations are prepared on a monthly basis for all asset-backed securities related bank accounts, including custodial accounts and related bank clearing accounts. These reconciliations are: (A) mathematically accurate; (B) prepared within 30 calendar days after the bank statement cutoff date, or such other number of days specified in the transaction agreements; (C) reviewed and approved by someone other than the person who prepared the reconciliation; and (D) contain explanations for reconciling items. These reconciling items are resolved within 90 calendar days of their original identification, or such other number of days specified in the transaction agreements.	Applicable; assessment below.
Investor Remittances and Reporting		

Regulation AB Reference	Servicing Criteria	Assessment
1122(d)(3)(i)	Reports to investors, including those to be filed with the SEC, are maintained in accordance with the transaction agreements and applicable SEC requirements. Specifically, such reports: (A) are prepared in accordance with timeframes and other terms set forth in the transaction agreements; (B) provide information calculated in accordance with the terms specified in the transaction agreements; (C) are filed with the SEC as required by its rules and regulations; and (D) agree with investors' or the trustee's records as to the total unpaid principal balance and number of pool assets serviced by the servicer.	Applicable; assessment below.
1122(d)(3)(ii)	Amounts due to investors are allocated and remitted in accordance with timeframes, distribution priority and other terms set forth in the transaction agreements.	Not applicable; investor records maintained by the Indenture Trustee.
1122(d)(3)(iii)	Disbursements made to an investor are posted within two business days to the servicer's investor records, or such other number of days specified in the transaction agreements.	Applicable.
1122(d)(3)(iv)	Amounts remitted to investors per the investor reports agree with cancelled checks, or other form of payment, or custodial bank statements.	Applicable; assessment below.
Pool Asset Administration		
1122(d)(4)(i)	Collateral or security on pool assets is maintained as required by the transaction agreements or related pool asset documents.	Applicable; assessment below.
1122(d)(4)(ii)	Pool assets and related documents are safeguarded as required by the transaction agreements.	Applicable; assessment below.
1122(d)(4)(iii)	Any additions, removals or substitutions to the asset pool are made, reviewed and approved in accordance with any conditions or requirements in the transaction agreements.	Not applicable; no removals or substitutions of Nuclear Asset-Recovery Property are contemplated or allowed under the transaction documents.
1122(d)(4)(iv)	Payments on pool assets, including any payoffs, made in accordance with the related pool asset documents are posted to the servicer's obligor records maintained no more than two business days after receipt, or such other number of days specified in the transaction agreements, and allocated to principal, interest or other items (e.g., escrow) in accordance with the related pool asset agreements.	Applicable; assessment below.

Regulation AB Reference	Servicing Criteria	Assessment
1122(d)(4)(v)	The servicer's records regarding the pool assets agree with the servicer's records with respect to an obligor's unpaid principal balance.	Not applicable; because underlying obligation (Nuclear Asset-Recovery Charge) is not an interest-bearing instrument.
1122(d)(4)(vi)	Changes with respect to the terms or status of an obligor's pool assets (e.g., loan modifications or re-agings) are made, reviewed and approved by authorized personnel in accordance with the transaction agreements and related pool asset documents.	Applicable; assessment below.
1122(d)(4)(vii)	Loss mitigation or recovery actions (e.g., forbearance plans, modifications and deeds in lieu of foreclosure, foreclosures and repossessions, as applicable) are initiated, conducted and concluded in accordance with the timeframes or other requirements established by the transaction agreements.	Applicable; limited assessment below. Servicer actions governed by Commission regulations.
1122(d)(4)(viii)	Records documenting collection efforts are maintained during the period a pool asset is delinquent in accordance with the transaction agreements. Such records are maintained on at least a monthly basis, or such other period specified in the transaction agreements, and describe the entity's activities in monitoring delinquent pool assets, including, for example, phone calls, letters and payment rescheduling plans in cases where delinquency is deemed temporary (e.g., illness or unemployment).	Applicable, but does not require assessment since no explicit documentation requirement with respect to delinquent accounts are imposed under the transaction agreements due to availability of "true-up" mechanism; and any such documentation is maintained in accordance with applicable Florida commission rules and regulations..
1122(d)(4)(ix)	Adjustments to interest rates or rates of return for pool assets with variable rates are computed based on the related pool asset documents.	Not applicable; Nuclear Asset-Recovery Charges are not interest-bearing instruments.

Regulation AB Reference	Servicing Criteria	Assessment
1122(d)(4)(x)	Regarding any funds held in trust for an obligor (such as escrow accounts): (A) such funds are analyzed, in accordance with the obligor's pool asset documents, on at least an annual basis, or such other period specified in the transaction agreements; (B) interest on such funds is paid, or credited, to obligors in accordance with applicable pool asset documents and state laws; and (C) such funds are returned to the obligor within 30 calendar days of full repayment of the related pool assets, or such other number of days specified in the transaction agreements.	Not applicable.
1122(d)(4)(xi)	Payments made on behalf of an obligor (such as tax or insurance payments) are made on or before the related penalty or expiration dates, as indicated on the appropriate bills or notices for such payments, provided that such support has been received by the servicer at least 30 calendar days prior to these dates, or such other number of days specified in the transaction agreements.	Not applicable; Servicer does not make payments on behalf of obligors.
1122(d)(4)(xii)	Any late payment penalties in connection with any payment to be made on behalf of an obligor are paid from the servicer's funds and not charged to the obligor, unless the late payment was due to the obligor's error or omission.	Not applicable; Servicer cannot make advances of its own funds on behalf of customers under the transaction agreements.
1122(d)(4)(xiii)	Disbursements made on behalf of an obligor are posted within two business days to the obligor's records maintained by the servicer, or such other number of days specified in the transaction agreements.	Not applicable; Servicer cannot make advances of its own funds on behalf of customers to pay principal or interest on the bonds.
1122(d)(4)(xiv)	Delinquencies, charge-offs and uncollectible accounts are recognized and recorded in accordance with the transaction agreements.	Applicable; assessment below.
1122(d)(4)(xv)	Any external enhancement or other support, identified in Item 1114(a)(1) through (3) or Item 1115 of Regulation AB, is maintained as set forth in the transaction agreements.	Not applicable; no external enhancement is required under the transaction agreements.

3. To the best of the undersigned's knowledge, based on such review, the Servicer is in compliance in all material respects with the applicable servicing criteria set forth above as of and for the period ended the end of the fiscal year covered by the Sponsor's annual report on Form 10-K. {If not true, include description of any material instance of noncompliance.}

4. {[ ], an independent registered public accounting firm, has issued an attestation report on the Servicer's assessment of compliance with the

applicable servicing criteria as of and for the period ended the end of the fiscal year covered by the Sponsor's annual report on Form 10-K.

5.} Capitalized terms used but not defined herein have their respective meanings as set forth in the Servicing Agreement.

Executed as of this {____} day of {_____}, 20{__}.

DUKE ENERGY FLORIDA, INC.,
as Servicer

By: _____
Name:
Title:

EXHIBIT E

FORM OF CERTIFICATE OF COMPLIANCE

See attached.

CERTIFICATE OF COMPLIANCE

The undersigned hereby certifies that the undersigned is the duly elected and acting {_____} of **DUKE ENERGY FLORIDA, INC.**, as servicer (the "Servicer") under the Nuclear Asset-Recovery Property Servicing Agreement dated as of [, 20] (the "Servicing Agreement") by and between the Servicer and **[DEF SPE] LLC**, and further certifies that:

1. A review of the activities of the Servicer and of its performance under the Servicing Agreement during the twelve months ended {_____}, 20{__} has been made under the supervision of the undersigned pursuant to SECTION 3.03 of the Servicing Agreement.

2. To the undersigned's knowledge, based on such review, the Servicer has fulfilled all of its obligations in all material respects under the Servicing Agreement throughout the twelve months ended {_____}, 20{__}, except as set forth on

EXHIBIT A hereto.

Executed as of this {____} day of {_____}, 20{__}.

DUKE ENERGY FLORIDA, INC.,
as Servicer

By: _____
Name:
Title:

EXHIBIT A
TO
CERTIFICATE OF COMPLIANCE

LIST OF SERVICER DEFAULTS

The following Servicer Defaults, or events that with the giving of notice, the lapse of time, or both, would become Servicer Defaults, known to the undersigned occurred during the twelve months ended {_____}, 20{__}:

Nature of Default	Status
{_____}	{_____}

EXHIBIT F

EXPECTED AMORTIZATION SCHEDULE

See Attached.

EXPECTED AMORTIZATION SCHEDULE

Outstanding Principal Balance Per Tranche

Semi-Annual Payment Date	**Tranche A-1 Balance**	**Tranche A-2 Balance**	**Tranche A-3 Balance**

APPENDIX A

DEFINITIONS AND RULES OF CONSTRUCTION

A. Defined Terms. The following terms have the following meanings:

"17g-5 Website" is defined in Section 10.18(a) of the Indenture.

"Account Records" is defined in Section 1(a)(i) of the Administration Agreement.

"Act" is defined in Section 10.03(a) of the Indenture.

"Administration Agreement" means the Administration Agreement, dated as of the Closing Date, by and between Duke Energy Florida and the Issuer.

"Administration Fee" is defined in Section 2 of the Administration Agreement.

"Administrator" means Duke Energy Florida, as Administrator under the Administration Agreement, or any successor Administrator to the extent permitted under the Administration Agreement.

"AES" means an alternative energy supplier which is authorized by law to sell electric service to a customer using the transmission or distribution system of Duke Energy Florida.

"Affiliate" means, with respect to any specified Person, any other Person controlling or controlled by or under common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such specified Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Amendatory Schedule" means a revision to service riders or any other notice filing filed with the Commission in respect of the Nuclear Asset-Recovery Rate Schedule pursuant to a True-Up Adjustment.

"Annual Accountant's Report" is defined in Section 3.04(a) of the Servicing Agreement.

"Authorized Denomination" means, with respect to any Nuclear Asset-Recovery Bond, the authorized denomination therefor specified in the Series Supplement, which shall be at least $100,000 and, except as otherwise provided in the Series Supplement, integral multiples of $1,000 in excess thereof.

"Bankruptcy Code" means Title 11 of the United States Code (11 U.S.C. §§ 101 et seq.).

"Basic Documents" means the Indenture, the Administration Agreement, the Sale Agreement, the Bill of Sale, the Certificate of Formation, the LLC Agreement, the Servicing Agreement, the Series Supplement, the Intercreditor Agreement, the Letter of Representations, the Underwriting Agreement and all other documents and certificates delivered in connection therewith.

"Bill of Sale" means a bill of sale substantially in the form of Exhibit A to the Sale Agreement delivered pursuant to Section 2.02(a) of the Sale Agreement.

"Billed Nuclear Asset-Recovery Charges" means the amounts of Nuclear Asset-Recovery Charges billed by the Servicer.

"Billing Period" means the period created by dividing the calendar year into 12 consecutive periods of approximately [21] Servicer Business Days.

"Bills" means each of the regular monthly bills, summary bills, opening bills and closing bills issued to Customers by Duke Energy Florida in its capacity as Servicer.

"Bond Interest Rate" means, with respect to any Tranche of Nuclear Asset-Recovery Bonds, the rate at which interest accrues on the Nuclear Asset-Recovery Bonds of such Tranche, as specified in the Series Supplement.

"Book-Entry Form" means, with respect to any Nuclear Asset-Recovery Bond, that such Nuclear Asset-Recovery Bond is not certificated and the ownership and transfers thereof shall be made through book entries by a Clearing Agency as described in Section 2.11 of the Indenture and the Series Supplement pursuant to which such Nuclear Asset-Recovery Bond was issued.

"Book-Entry Nuclear Asset-Recovery Bonds" means any Nuclear Asset-Recovery Bonds issued in Book-Entry Form; provided, however, that, after the occurrence of a condition whereupon book-entry registration and transfer are no longer permitted and Definitive Nuclear Asset-Recovery Bonds are to be issued to the Holder of such Nuclear Asset-Recovery Bonds, such Nuclear Asset-Recovery Bonds shall no longer be "Book-Entry Nuclear Asset-Recovery Bonds".

"Business Day" means any day other than a Saturday, a Sunday or a day on which banking institutions in St. Petersburg, Florida, Charlotte, North Carolina or New York, New York are, or DTC or the Corporate Trust Office is, authorized or obligated by law, regulation or executive order to be closed.

"Calculation Period" means, with respect to any True-Up Adjustment, the period comprised of the [12] consecutive Collection Periods beginning with the Collection Period in which such True-Up Adjustment would go into effect; provided, that, in the case of any True-Up Adjustment that would go into effect after the date that is 12 months prior to the last Scheduled Final Payment Date, the Calculation Period shall begin on the date the True-Up Adjustment

would go into effect and end on the Payment Date following such True-Up Adjustment date; provided, further, that, for the purpose of calculating the first Periodic Payment Requirement as of the Closing Date, "Calculation Period" means, initially, the period commencing on the Closing Date and ending on the last day of the billing cycle of [ ].

"Capital Contribution" means the amount of case contributed to the Issuer by Duke Energy Florida as specified in the LLC Agreement.

"Capital Subaccount" is defined in Section 8.02(a) of the Indenture.

"Capital Subaccount Investment Earnings" shall mean, for any Payment Date with respect to any Calculation Period, the sum of (a) an amount equal to investment earnings since the previous Payment Date (or, in the case of the first Payment Date, since the Closing Date) on the initial amount deposited by Duke Energy Florida in the Capital Subaccount plus (b) any such amounts not paid on any prior Payment Date.

"Certificate of Compliance" means the certificate referred to in Section 3.03 of the Servicing Agreement and substantially in the form of Exhibit E to the Servicing Agreement.

"Certificate of Formation" means the Certificate of Formation filed with the Secretary of State of the State of Delaware on [, 20] pursuant to which the Issuer was formed.

"Claim" means a "claim" as defined in Section 101(5) of the Bankruptcy Code.

"Clearing Agency" means an organization registered as a "clearing agency" pursuant to Section 17A of the Exchange Act.

"Clearing Agency Participant" means a securities broker, dealer, bank, trust company, clearing corporation or other financial institution or other Person for whom from time to time a Clearing Agency effects book entry transfers and pledges of securities deposited with such Clearing Agency.

"Closing Date" means [, 20], the date on which the Nuclear Asset-Recovery Bonds are originally issued in accordance with Section 2.10 of the Indenture and the Series Supplement.

"Code" means the Internal Revenue Code of 1986.

"Collection Account" is defined in Section 8.02(a) of the Indenture.

"Collection in Full of the Nuclear Asset-Recovery Charges" means the day on which the aggregate amounts on deposit in the General Subaccount and the Excess Funds Subaccount are sufficient to pay in full all the Outstanding Nuclear Asset-Recovery Bonds and to replenish any shortfall in the Capital Subaccount.

"Collection Period" means any period commencing on the first Servicer Business Day of any Billing Period and ending on the last Servicer Business Day of such Billing Period.

"Commission" means the Florida Public Service Commission.

"Commission Condition" means the satisfaction of any precondition to any amendment or modification to or action under any Basic Documents through the obtaining of Commission consent or acquiescence, as described in the related Basic Document.

"Commission Regulations" means any regulations, including temporary regulations, promulgated by the Commission pursuant to Florida law.

"Company Minutes" is defined in Section 1(a)(iv) of the Administration Agreement.

"Corporate Trust Office" means the office of the Indenture Trustee at which, at any particular time, its corporate trust business shall be administered, which office as of the Closing Date is located at [101 Barclay Street, 7 East, New York, New York 10286, Attention: Asset Backed Securities Unit, Telephone: (212) 815-5331, Facsimile: (212) 815-2830], or at such other address as the Indenture Trustee may designate from time to time by notice to the Holders of Nuclear Asset-Recovery Bonds and the Issuer, or the principal corporate trust office of any successor trustee designated by like notice.

"Covenant Defeasance Option" is defined in Section 4.01(b) of the Indenture.

"Customer" means any existing or future customer receiving transmission or distribution service from Duke Energy Florida or its successors or assignees under Commission-approved rate schedules or under special contracts[, even if such customer elects to purchase electricity from an AES following a fundamental change in regulation of public utilities in Florida].

"Daily Remittance" is defined in Section 6.11(a) of the Servicing Agreement.

"Default" means any occurrence that is, or with notice or the lapse of time or both would become, an Event of Default.

"Definitive Nuclear Asset-Recovery Bonds" is defined in Section 2.11 of the Indenture.

"Delaware UCC" means the Uniform Commercial Code as in effect on the Closing Date in the State of Delaware.

"DTC" means The Depository Trust Company.

"Duke Energy Florida" means Duke Energy Florida, Inc., a Florida corporation.

"Eligible Account" means a segregated non-interest-bearing trust account with an Eligible Institution.

"Eligible Institution" means:

(a) the corporate trust department of the Indenture Trustee, so long as any of the securities of the Indenture Trustee has a credit rating from each Rating Agency in one of its generic rating categories that signifies investment grade; or

(b) a depository institution organized under the laws of the United States of America or any State (or any domestic branch of a foreign bank) (i) that has either (A) a long-term issuer rating of "AA-" or higher by S&P and "A2" or higher by Moody's or (B) a short-term issuer rating of "A-1+" or higher by S&P and "P-1" or higher by Moody's or any other long-term, short-term or certificate of deposit rating acceptable to the Rating Agencies, and (ii) whose deposits are insured by the Federal Deposit Insurance Corporation.

If so qualified under clause (b) of this definition, the Indenture Trustee may be considered an Eligible Institution for the purposes of clause (a) of this definition.

"Eligible Investments" means instruments or investment property that evidence:

(a) direct obligations of, or obligations fully and unconditionally guaranteed as to timely payment by, the United States of America;

(b) demand or time deposits of, unsecured certificates of deposit of, money market deposit accounts of, or bankers' acceptances issued by, any depository institution (including the Indenture Trustee, acting in its commercial capacity) incorporated or organized under the laws of the United States of America or any State thereof and subject to supervision and examination by U.S. federal or state banking authorities, so long as the commercial paper or other short-term debt obligations of such depository institution are, at the time of deposit, rated at least "A-1" and "P-1" or their equivalents by each of S&P and Moody's [and, if Fitch provides ratings thereon by Fitch], or such lower rating as will not result in the downgrading or withdrawal of the ratings of the Nuclear Asset-Recovery Bonds;

(c) commercial paper (including commercial paper of the Indenture Trustee, acting in its commercial capacity, and other than commercial paper of Duke Energy Florida or any of its Affiliates), which at the time of purchase is rated at least "A-1" and "P-1" or their equivalents by each of S&P and Moody's or such lower rating as will not result in the downgrading or withdrawal of the ratings of the Nuclear Asset-Recovery Bonds;

(d) investments in money market funds having a rating in the highest investment category granted thereby (including funds for which the Indenture Trustee or

any of its Affiliates is investment manager or advisor) from Moody's, S&P [and Fitch, if rated by Fitch];

(e) repurchase obligations with respect to any security that is a direct obligation of, or fully guaranteed by, the United States of America or its agencies or instrumentalities, entered into with Eligible Institutions;

(f) repurchase obligations with respect to any security or whole loan entered into with an Eligible Institution or with a registered broker/dealer acting as principal and that meets the ratings criteria set forth below:

(i) a broker/dealer (acting as principal) registered as a broker or dealer under Section 15 of the Exchange Act (any such broker/dealer being referred to in this definition as a "broker/dealer"), the unsecured short-term debt obligations of which are rated at least "P-1" by Moody's, "A-1+" by S&P [and, if Fitch provides a rating thereon, "F-1+" by Fitch] at the time of entering into such repurchase obligation; or

(ii) an unrated broker/dealer, acting as principal, that is a wholly-owned subsidiary of a non-bank or bank holding company the unsecured short-term debt obligations of which are rated at least "P-1" by Moody's, "A-1+" by S&P [and, if Fitch provides a rating thereon, "F-1+" by Fitch] at the time of purchase so long as the obligations of such unrated broker/dealer are unconditionally guaranteed by such non-bank or bank holding company; and

(g) any other investment permitted by each of the Rating Agencies;

in each case maturing not later than the Business Day preceding the next Payment Date or Special Payment Date, if applicable (for the avoidance of doubt, investments in money market funds or similar instruments that are redeemable on demand shall be deemed to satisfy the foregoing requirement). Notwithstanding the foregoing: (1) no securities or investments that mature in 30 days or more shall be "Eligible Investments" unless the issuer thereof has either a short-term unsecured debt rating of at least "P-1" from Moody's or a long-term unsecured debt rating of at least "A2" from Moody's and also has a long-term unsecured debt rating of at least "A+" from S&P; (2) no securities or investments described in clauses (b) through (d) above that have maturities of more than 30 days but less than or equal to 3 months shall be "Eligible Investments" unless the issuer thereof has a long-term unsecured debt rating of at least "A1" from Moody's and a short-term unsecured debt rating of at least "P-1" from Moody's; and (3) no securities or investments described in clauses (b) through (d) above that have maturities of more than 3 months shall be "Eligible Investments" unless the issuer thereof has a long-term unsecured debt rating of at least "Aa3" from Moody's and a short-term unsecured debt rating of at least "P1" from Moody's.

"Event of Default" is defined in Section 5.01 of the Indenture.

"Excess Funds Subaccount" is defined in Section 8.02(a) of the Indenture.

"Exchange Act" means the Securities Exchange Act of 1934.

"Expected Amortization Schedule" means, with respect to any Tranche, the expected amortization schedule related thereto set forth in the Series Supplement.

"Federal Book-Entry Regulations" means 31 C.F.R. Part 357 et seq. (Department of Treasury).

"Federal Funds Rate" means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published for such day (or, if such day is not a Business Day, for the preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for such day on such transactions received by the Servicer from three federal funds brokers of recognized standing selected by it.

"Final" means, with respect to the Financing Order, that the Financing Order has become final, that the Financing Order is not being appealed and that the time for filing an appeal thereof has expired.

"Final Maturity Date" means, with respect to each Tranche of Nuclear Asset-Recovery Bonds, the final maturity date therefor as specified in the Series Supplement.

"Financing Costs" means all financing costs as defined in Section 366.95(1)(e) of the Nuclear Asset-Recovery Law allowed to be recovered by Duke Energy Florida under the Financing Order.

"Financing Order" means the financing order issued by the Commission to Duke Energy Florida on [, 20], Docket No. [ ], authorizing the creation of the Nuclear Asset-Recovery Property. Duke Energy Florida unconditionally accepted all conditions and limitations requested by such order in a letter dated [, 20] from Duke Energy Florida to the Commission.

"Financing Party" means any and all of the following: the Holders, the Indenture Trustee, Duke Energy Florida, collateral agents, any party under the Basic Documents, or any other person acting for the benefit of the Holders.

["Fitch" means Fitch Ratings or any successor thereto. References to Fitch are effective so long as Fitch is a Rating Agency.]

"Florida Secured Transactions Registry" means the centralized database in which all initial financing statements, amendments, assignments, and other statements of charge authorized to be filed under Chapter 679 of the Florida statutes.

"Florida UCC" means the Uniform Commercial Code as in effect on the Closing Date in the State of Florida.

"General Subaccount" is defined in Section 8.02(a) of the Indenture.

"Global Nuclear Asset-Recovery Bond" means a Nuclear Asset-Recovery Bond to be issued to the Holders thereof in Book-Entry Form, which Global Nuclear Asset-Recovery Bond shall be issued to the Clearing Agency, or its nominee, in accordance with Section 2.11 of the Indenture and the Series Supplement.

"Governmental Authority" means any nation or government, any U.S. federal, state, local or other political subdivision thereof and any court, administrative agency or other instrumentality or entity exercising executive, legislative, judicial, regulatory or administrative functions of government.

"Grant" means mortgage, pledge, bargain, sell, warrant, alienate, remise, release, convey, grant, transfer, create, grant a lien upon, a security interest in and right of set-off against, deposit, set over and confirm pursuant to the Indenture and the Series Supplement. A Grant of the Nuclear Asset-Recovery Bond Collateral shall include all rights, powers and options (but none of the obligations) of the granting party thereunder, including the immediate and continuing right to claim for, collect, receive and give receipt for payments in respect of the Nuclear Asset-Recovery Bond Collateral and all other moneys payable thereunder, to give and receive notices and other communications, to make waivers or other agreements, to exercise all rights and options, to bring Proceedings in the name of the granting party or otherwise and generally to do and receive anything that the granting party is or may be entitled to do or receive thereunder or with respect thereto.

"Holder" means the Person in whose name a Nuclear Asset-Recovery Bond is registered on the Nuclear Asset-Recovery Bond Register.

"Indemnified Losses" is defined in Section 5.03 of the Servicing Agreement.

"Indemnified Party" is defined in Section 6.02(a) of the Servicing Agreement.

"Indemnified Person" is defined in Section 5.01(f) of the Sale Agreement.

"Indenture" means the Indenture, dated as of the Closing Date, by and between the Issuer and The Bank of New York Mellon, a New York banking corporation, as Indenture Trustee and as Securities Intermediary.

"Indenture Trustee" means The Bank of New York Mellon, a New York banking corporation, as indenture trustee for the benefit of the Secured Parties, or any successor indenture trustee for the benefit of the Secured Parties, under the Indenture.

"Independent" means, when used with respect to any specified Person, that such specified Person (a) is in fact independent of the Issuer, any other obligor on the Nuclear Asset-Recovery Bonds, the Seller, the Servicer and any Affiliate of any of the foregoing Persons, (b) does not have any direct financial interest or any material indirect financial interest in the Issuer, any such other obligor, the Seller, the Servicer or any Affiliate of any of the foregoing Persons and (c) is not connected with the Issuer, any such other obligor, the Seller, the Servicer or any Affiliate of any of the foregoing Persons as an officer, employee, promoter, underwriter, trustee, partner, director (other than as an independent director or manager) or person performing similar functions.

"Independent Certificate" means a certificate to be delivered to the Indenture Trustee under the circumstances described in, and otherwise complying with, the applicable requirements of Section 10.01 of the Indenture, made by an Independent appraiser or other expert appointed by an Issuer Order and consented to by the Indenture Trustee, and such certificate shall state that the signer has read the definition of "Independent" in the Indenture and that the signer is Independent within the meaning thereof.

"Independent Manager" is defined in Section 4.01(a) of the LLC Agreement.

"Independent Manager Fee" is defined in Section 4.01(a) of the LLC Agreement.

"Insolvency Event" means, with respect to a specified Person: (a) the filing of a decree or order for relief by a court having jurisdiction in the premises in respect of such specified Person or any substantial part of its property in an involuntary case under any applicable U.S. federal or state bankruptcy, insolvency or other similar law in effect as of the Closing Date or thereafter, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for such specified Person or for any substantial part of its property, or ordering the winding-up or liquidation of such specified Person's affairs, and such decree or order shall remain unstayed and in effect for a period of 60 consecutive days; or (b) the commencement by such specified Person of a voluntary case under any applicable U.S. federal or state bankruptcy, insolvency or other similar law in effect as of the Closing Date or thereafter, or the consent by such specified Person to the entry of an order for relief in an involuntary case under any such law, or the consent by such specified Person to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for such specified Person or for any substantial part of its property, or the making by such specified Person of any general assignment for the benefit of creditors, or the failure by such specified Person generally to pay its debts as such debts become due, or the taking of action by such specified Person in furtherance of any of the foregoing.

"Intercreditor Agreement" means [ ]

"Interim True-Up Adjustment" means either an Optional Interim True-Up Adjustment made in accordance with Section 4.01(b)(ii) of the Servicing Agreement or a Non-standard True-Up Adjustment made in accordance with Section 4.01(b)(iii) of the Servicing Agreement.

"Investment Company Act" means the Investment Company Act of 1940.

"Investment Earnings" means investment earnings on funds deposited in the Collection Account net of losses and investment expenses.

"Issuer" means [DEF SPE] LLC, a Delaware limited liability company, named as such in the Indenture until a successor replaces it and, thereafter, means the successor and, for purposes of any provision contained herein and required by the Trust Indenture Act, each other obligor on the Nuclear Asset-Recovery Bonds.

"Issuer Documents" is defined in Section 1(a)(iv) of the Administration Agreement.

"Issuer Order" means a written order signed in the name of the Issuer by any one of its Responsible Officers and delivered to the Indenture Trustee or Paying Agent, as applicable.

"Issuer Request" means a written request signed in the name of the Issuer by any one of its Responsible Officers and delivered to the Indenture Trustee or Paying Agent, as applicable.

"Legal Defeasance Option" is defined in Section 4.01(b) of the Indenture.

"Letter of Representations" means any applicable agreement between the Issuer and the applicable Clearing Agency, with respect to such Clearing Agency's rights and obligations (in its capacity as a Clearing Agency) with respect to any Book-Entry Nuclear Asset-Recovery Bonds.

"Lien" means a security interest, lien, mortgage, charge, pledge, claim or encumbrance of any kind.

"LLC Agreement" means the Amended and Restated Limited Liability Company Agreement of [DEF SPE] LLC, dated as of the Closing Date.

"Losses" means (a) any and all amounts of principal of and interest on the Nuclear Asset-Recovery Bonds not paid when due or when scheduled to be paid in accordance with their terms and the amounts of any deposits by or to the Issuer required to have been made in accordance with the terms of the Basic Documents or the Financing Order that are not made when so required and (b) any and all other liabilities, obligations, losses, claims, damages, payments, costs or expenses of any kind whatsoever.

"Manager" means each manager of the Issuer under the LLC Agreement.

"Member" has the meaning specified in the first paragraph of the LLC Agreement.

"Monthly Servicer's Certificate" is defined in Section 3.01(b)(i) of the Servicing Agreement.

"Moody's" means Moody's Investors Service, Inc.. References to Moody's are effective so long as Moody's is a Rating Agency.

"Non-standard True-Up Adjustment" means any Non-standard True-Up Adjustment made pursuant to Section 4.01(b)(iii) of the Servicing Agreement.

"NRSRO" is defined in Section 10.18(b) of the Indenture.

"Nuclear Asset-Recovery Bond Collateral" is defined in the preamble of the Indenture.

"Nuclear Asset-Recovery Bond Register" is defined in Section 2.05 of the Indenture.

"Nuclear Asset-Recovery Bond Registrar" is defined in Section 2.05 of the Indenture.

"Nuclear Asset-Recovery Bonds" means the nuclear asset-recovery bonds authorized by the Financing Order and issued under the Indenture.

"Nuclear Asset-Recovery Charge" means any Nuclear asset-recovery charges as defined in Section 366.95(1)(j) of the Nuclear Asset-Recovery Law that are authorized by the Financing Order.

"Nuclear Asset-Recovery Charge Collections" means nuclear Asset-Recovery Charges actually received by the Servicer to be remitted to the Collection Account.

"Nuclear Asset-Recovery Charge Payments" means the payments made by Customers based on the Nuclear Asset-Recovery Charges.

"Nuclear Asset-Recovery Law" means the laws of the State of Florida adopted in May 2015 enacted as Section 366.95, Florida Statutes.

"Nuclear Asset-Recovery Property" means all nuclear asset-recovery property as defined in Section 366.95(1)(l) of the Nuclear Asset-Recovery Law created pursuant to the Financing Order and under the Nuclear Asset-Recovery Law, including the right to impose, bill, collect and receive the Nuclear Asset-Recovery Charges authorized under the Financing Order and to obtain periodic adjustments of the Nuclear Asset-Recovery Charges and all revenue, collections, claims, rights to payments, payments, money, or proceeds arising from the rights and interests specified in Section 366.95(1)(l)1., regardless of whether such revenues, collections, claims, rights to payment, payments, money, or proceeds are imposed, billed, received, collected, or maintained together with or commingled with other revenues, collections, rights to payment, payments, money, or proceeds.

"Nuclear Asset-Recovery Property Records" is defined in Section 5.01 of the Servicing Agreement.

"Nuclear Asset-Recovery Rate Class" means one of the [four] separate rate classes to whom Nuclear Asset-Recovery Charges are allocated for ratemaking purposes in accordance with the Financing Order.

"Nuclear Asset-Recovery Rate Schedule" means the Tariff sheets to be filed with the Commission stating the amounts of the Nuclear Asset-Recovery Charges, as such Tariff sheets may be amended or modified from time to time pursuant to a True-Up Adjustment.

"NY UCC" means the Uniform Commercial Code as in effect on the Closing Date in the State of New York.

"Officer's Certificate" means a certificate signed by a Responsible Officer of the Issuer under the circumstances described in, and otherwise complying with, the applicable requirements of Section 10.01 of the Indenture, and delivered to the Indenture Trustee.

"Ongoing Financing Costs" means the Financing Costs described as such in the Financing Order, including Operating Expenses and any other costs identified in the Basic Documents; provided, however, that Ongoing Financing Costs do not include the Issuer's costs of issuance of the Nuclear Asset-Recovery Bonds.

"Operating Expenses" means all unreimbursed fees, costs and out-of-pocket expenses of the Issuer, including all amounts owed by the Issuer to the Indenture Trustee (including indemnities, legal fees and expenses) or any Manager, the Servicing Fee, the Administration Fee, legal and accounting fees, Rating Agency, any Regulatory Assessment Fees and related fees (i.e. website provider fees) and any franchise or other taxes owed by the Issuer, including on investment income in the Collection Account.

"Opinion of Counsel" means one or more written opinions of counsel, who may, except as otherwise expressly provided in the Basic Documents, be employees of or counsel to the party providing such opinion of counsel, which counsel shall be reasonably acceptable to the party receiving such opinion of counsel, and shall be in form and substance reasonably acceptable to such party.

"Optional Interim True-Up Adjustment" means any Optional Interim True-Up Adjustment made pursuant to Section 4.01(b)(ii) of the Servicing Agreement.

"Outstanding" means, as of the date of determination, all Nuclear Asset-Recovery Bonds theretofore authenticated and delivered under the Indenture, except:

(a) Nuclear Asset-Recovery Bonds theretofore canceled by the Nuclear Asset-Recovery Bond Registrar or delivered to the Nuclear Asset-Recovery Bond Registrar for cancellation;

(b) Nuclear Asset-Recovery Bonds or portions thereof the payment for which money in the necessary amount has been theretofore deposited with the Indenture Trustee or any Paying Agent in trust for the Holders of such Nuclear Asset-Recovery Bonds; and

(c) Nuclear Asset-Recovery Bonds in exchange for or in lieu of other Nuclear Asset-Recovery Bonds that have been issued pursuant to the Indenture unless proof satisfactory to the Indenture Trustee is presented that any such Nuclear Asset-Recovery Bonds are held by a Protected Purchaser;

provided, that, in determining whether the Holders of the requisite Outstanding Amount of the Nuclear Asset-Recovery Bonds or any Tranche thereof have given any request, demand, authorization, direction, notice, consent or waiver under any Basic Document, Nuclear Asset-Recovery Bonds owned by the Issuer, any other obligor upon the Nuclear Asset-Recovery Bonds, the Member, the Seller, the Servicer or any Affiliate of any of the foregoing Persons shall be disregarded and deemed not to be Outstanding (unless one or more such Persons owns 100% of such Nuclear Asset-Recovery Bonds), except that, in determining whether the Indenture Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Nuclear Asset-Recovery Bonds that the Indenture Trustee actually knows to be so owned shall be so disregarded. Nuclear Asset-Recovery Bonds so owned that have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Indenture Trustee the pledgee's right so to act with respect to such Nuclear Asset-Recovery Bonds and that the pledgee is not the Issuer, any other obligor upon the Nuclear Asset-Recovery Bonds, the Member, the Seller, the Servicer or any Affiliate of any of the foregoing Persons.

"Outstanding Amount" means the aggregate principal amount of all Nuclear Asset-Recovery Bonds, or, if the context requires, all Nuclear Asset-Recovery Bonds of a Tranche, Outstanding at the date of determination.

"Paying Agent" means, with respect to the Indenture, the Indenture Trustee and any other Person appointed as a paying agent for the Nuclear Asset-Recovery Bonds pursuant to the Indenture.

"Payment Date" means, with respect to any Tranche of Nuclear Asset-Recovery Bonds, the dates specified in the Series Supplement; provided, that if any such date is not a Business Day, the Payment Date shall be the Business Day succeeding such date.

"Periodic Billing Requirement" means, for any Calculation Period, the aggregate amount of Nuclear Asset-Recovery Charges calculated by the Servicer as necessary to be billed during such period in order to collect the Periodic Payment Requirement on a timely basis.

"Periodic Interest" means, with respect to any Payment Date, the periodic interest for such Payment Date as specified in the Series Supplement.

"Periodic Payment Requirement" for any Calculation Period means the total dollar amount of Nuclear Asset-Recovery Charge Collections reasonably calculated by the Servicer in accordance with Section 4.01 of the Servicing Agreement as necessary to be received during such Calculation Period (after giving effect to the allocation and distribution of amounts on deposit in the Excess Funds Subaccount at the time of calculation and that are projected to be available for payments on the Nuclear Asset-Recovery Bonds at the end of such Calculation Period and including any shortfalls in Periodic Payment Requirements for any prior Calculation Period) in order to ensure that, as of the last Payment Date occurring in such Calculation Period, (a) all accrued and unpaid interest on the Nuclear Asset-Recovery Bonds then due shall have been paid in full on a timely basis, (b) the Outstanding Amount of the Nuclear Asset-Recovery Bonds is equal to the Projected Unpaid Balance on each Payment Date during such Calculation Period, (c) the balance on deposit in the Capital Subaccount equals the Required Capital Level and (d) all other fees and expenses due and owing and required or allowed to be paid under Section 8.02 of the Indenture as of such date shall have been paid in full; provided, that, with respect to any Semi-Annual True-Up Adjustment or Interim True-Up Adjustment occurring after the date that is one year prior to the last Scheduled Final Payment Date for the Nuclear Asset-Recovery Bonds, the Periodic Payment Requirements shall be calculated to ensure that sufficient Nuclear Asset-Recovery Charges will be collected to retire the Nuclear Asset-Recovery Bonds in full as of the next Payment Date.

"Periodic Principal" means, with respect to any Payment Date, the excess, if any, of the Outstanding Amount of Nuclear Asset-Recovery Bonds over the outstanding principal balance specified for such Payment Date on the Expected Amortization Schedule.

"Permitted Lien" means the Lien created by the Indenture.

"Permitted Successor" is defined in Section 5.02 of the Sale Agreement.

"Person" means any individual, corporation, limited liability company, estate, partnership, joint venture, association, joint stock company, trust (including any beneficiary thereof), unincorporated organization or Governmental Authority.

"Predecessor Nuclear Asset-Recovery Bond" means, with respect to any particular Nuclear Asset-Recovery Bond, every previous Nuclear Asset-Recovery Bond evidencing all or a portion of the same debt as that evidenced by such particular Nuclear Asset-Recovery Bond, and, for the purpose of this definition, any Nuclear Asset-Recovery Bond authenticated and delivered under Section 2.06 of the Indenture in lieu of a mutilated, lost, destroyed or stolen Nuclear Asset-Recovery Bond shall be deemed to evidence the same debt as the mutilated, lost, destroyed or stolen Nuclear Asset-Recovery Bond.

"Premises" is defined in Section 1(g) of the Administration Agreement.

"Proceeding" means any suit in equity, action at law or other judicial or administrative proceeding.

"Projected Unpaid Balance" means, as of any Payment Date, the sum of the projected outstanding principal amount of each Tranche of Nuclear Asset-Recovery Bonds for such Payment Date set forth in the Expected Amortization Schedule.

"Protected Purchaser" has the meaning specified in Section 8-303 of the UCC.

"Rating Agency" means, with respect to any Tranche of Nuclear Asset-Recovery Bonds, any of Moody's, S&P [or Fitch] that provides a rating with respect to the Nuclear Asset-Recovery Bonds. If no such organization (or successor) is any longer in existence, "Rating Agency" shall be a nationally recognized statistical rating organization or other comparable Person designated by the Issuer, notice of which designation shall be given to the Indenture Trustee and the Servicer.

"Rating Agency Condition" means, with respect to any action, at least ten Business Days' prior written notification to each Rating Agency of such action, and written confirmation from each of S&P and Moody's to the Servicer, the Indenture Trustee and the Issuer that such action will not result in a suspension, reduction or withdrawal of the then current rating by such Rating Agency of any Tranche of Nuclear Asset-Recovery Bonds; provided, that, if, within such ten Business Day period, any Rating Agency (other than S&P) has neither replied to such notification nor responded in a manner that indicates that such Rating Agency is reviewing and considering the notification, then (a) the Issuer shall be required to confirm that such Rating Agency has received the Rating Agency Condition request and, if it has, promptly request the related Rating Agency Condition confirmation and (b) if the Rating Agency neither replies to such notification nor responds in a manner that indicates it is reviewing and considering the notification within five Business Days following such second request, the applicable Rating Agency Condition requirement shall not be deemed to apply to such Rating Agency. For the purposes of this definition, any confirmation, request, acknowledgment or approval that is required to be in writing may be in the form of electronic mail or a press release (which may contain a general waiver of a Rating Agency's right to review or consent).

"Record Date" means one Business Day prior to the applicable Payment Date.

"Registered Holder" means the Person in whose name a Nuclear Asset-Recovery Bond is registered on the Nuclear Asset-Recovery Bond Register.

"Regulation AB" means the rules of the SEC promulgated under Subpart 229.1100 – Asset Backed Securities (Regulation AB), 17 C.F.R. §§229.1100-229.1123.

"Regulatory Assessment Fee" means any assessment fee due to the Commission pursuant to Section 350.113, Florida Statutes.

"Reimbursable Expenses" is defined in Section 2 of the Administration Agreement and Section 6.06(a) of the Servicing Agreement.

"Released Parties" is defined in Section 6.02(d) of the Servicing Agreement.

"Required Capital Level" means an amount of capital equal to 0.5% of the initial principal amount of the Nuclear Asset-Recovery Bonds.

"Requirement of Law" means any foreign, U.S. federal, state or local laws, statutes, regulations, rules, codes or ordinances enacted, adopted, issued or promulgated by any Governmental Authority or common law.

"Responsible Officer" means, with respect to: (a) the Issuer, any Manager or any duly authorized officer; (b) the Indenture Trustee, any officer within the Corporate Trust Office of such trustee (including the President, any Vice President, any Assistant Vice President, any Secretary, any Assistant Treasurer or any other officer of the Indenture Trustee customarily performing functions similar to those performed by persons who at the time shall be such officers, respectively, and that has direct responsibility for the administration of the Indenture and also, with respect to a particular matter, any other officer to whom such matter is referred to because of such officer's knowledge and familiarity with the particular subject); (c) any corporation (other than the Indenture Trustee), the Chief Executive Officer, the President, any Vice President, the Chief Financial Officer, the Treasurer, any Assistant Treasurer or any other duly authorized officer of such Person who has been authorized to act in the circumstances; (d) any partnership, any general partner thereof; and (e) any other Person (other than an individual), any duly authorized officer or member of such Person, as the context may require, who is authorized to act in matters relating to such Person.

"Return on Invested Capital" means, for any Payment Date with respect to any Calculation Period, the sum of (i) rate of return, payable to Duke Energy Florida, on its Capital Contribution equal to the rate of interest payable on the longest maturing tranche of Nuclear Asset-Recovery Bonds plus (ii) any Return on Invested Capital not paid on any prior Payment Date.

"S&P" means Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business. References to S&P are effective so long as S&P is a Rating Agency.

"Sale Agreement" means the Nuclear Asset-Recovery Property Purchase and Sale Agreement, dated as of the Closing Date, by and between the Issuer and Duke Energy Florida, and acknowledged and accepted by the Indenture Trustee.

"Scheduled Final Payment Date" means, with respect to each Tranche of Nuclear Asset-Recovery Bonds, the date when all interest and principal is scheduled to be paid with respect to that Tranche in accordance with the Expected Amortization Schedule, as specified in the Series Supplement. For the avoidance of doubt, the Scheduled Final Payment Date with respect to any Tranche shall be the last Scheduled Payment Date set forth in the Expected Amortization Schedule relating to such Tranche. The "last Scheduled Final Payment Date" means the Scheduled Final Payment Date of the latest maturing Tranche of Nuclear Asset-Recovery Bonds.

"Scheduled Payment Date" means, with respect to each Tranche of Nuclear Asset-Recovery Bonds, each Payment Date on which principal for such Tranche is to be paid in accordance with the Expected Amortization Schedule for such Tranche.

"SEC" means the Securities and Exchange Commission.

"Secured Obligations" means the payment of principal of and premium, if any, interest on, and any other amounts owing in respect of, the Nuclear Asset-Recovery Bonds and all fees, expenses, counsel fees and other amounts due and payable to the Indenture Trustee.

"Secured Parties" means the Indenture Trustee, the Holders and any credit enhancer described in the Series Supplement.

"Securities Act" means the Securities Act of 1933.

"Securities Intermediary" means The Bank of New York Mellon, a New York banking corporation, solely in the capacity of a "securities intermediary" as defined in the NY UCC and Federal Book-Entry Regulations or any successor securities intermediary under the Indenture.

"Seller" is defined in the preamble to the Sale Agreement.

"Semi-Annual Servicer's Certificate" is defined in Section 4.01(c)(ii) of the Servicing Agreement.

"Semi-Annual True-Up Adjustment" means each adjustment to the Nuclear Asset-Recovery Charges made in accordance with Section 4.01(b)(i) of the Servicing Agreement.

"Semi-Annual True-Up Adjustment Date" means the first billing cycle of [ ] and [ ] of each year, commencing in [, 20].

"Series Supplement" means the indenture supplemental to the Indenture in the form attached as Exhibit B to the Indenture that authorizes the issuance of the Nuclear Asset-Recovery Bonds.

"Servicer" means Duke Energy Florida, as Servicer under the Servicing Agreement.

"Servicer Business Day" means any day other than a Saturday, a Sunday or a day on which banking institutions in St. Petersburg, Florida, Charlotte, North Carolina or New York, New York are authorized or obligated by law, regulation or executive order to be closed, on which the Servicer maintains normal office hours and conducts business.

"Servicer Default" is defined in Section 7.01 of the Servicing Agreement.

"Servicer Policies and Practices" means, with respect to the Servicer's duties under Exhibit A to the Servicing Agreement, the policies and practices of the Servicer applicable to such duties that the Servicer follows with respect to comparable assets that it services for itself and, if applicable, others.

"Servicing Agreement" means the Nuclear Asset-Recovery Property Servicing Agreement, dated as of the Closing Date, by and between the Issuer and Duke Energy Florida, and acknowledged and accepted by the Indenture Trustee.

"Servicing Fee" is defined in Section 6.06(a) of the Servicing Agreement.

"Servicing Standard" means the obligation of the Servicer to calculate, apply, remit and reconcile proceeds of the Nuclear Asset-Recovery Property, including Nuclear Asset-Recovery Charge Payments, and all other Nuclear Asset-Recovery Bond Collateral for the benefit of the Issuer and the Holders (a) with the same degree of care and diligence as the Servicer applies with respect to payments owed to it for its own account, (b) in accordance with all applicable procedures and requirements established by the Commission for collection of electric utility tariffs and (c) in accordance with the other terms of the Servicing Agreement.

"Special Payment Date" means the date on which, with respect to any Tranche of Nuclear Asset-Recovery Bonds, any payment of principal of or interest (including any interest accruing upon default) on, or any other amount in respect of, the Nuclear Asset-Recovery Bonds of such Tranche that is not actually paid within five days of the Payment Date applicable thereto is to be made by the Indenture Trustee to the Holders.

"Special Record Date" means, with respect to any Special Payment Date, the close of business on the fifteenth day (whether or not a Business Day) preceding such Special Payment Date.

"Sponsor" means Duke Energy Florida, in its capacity as "sponsor" of the Nuclear Asset-Recovery Bonds within the meaning of Regulation AB.

"State" means any one of the fifty states of the United States of America or the District of Columbia.

"State Pledge" means the pledge of the State of Florida as set forth in Section 366.95(11) of the Nuclear Asset-Recovery Law.

"Subaccounts" is defined in Section 8.02(a) of the Indenture.

"Successor" means any successor to Duke Energy Florida under the Nuclear Asset-Recovery Law, whether pursuant to any bankruptcy, reorganization or other insolvency proceeding or pursuant to any merger, conversion, acquisition, sale or transfer, by operation of law, as a result of electric utility restructuring, or otherwise.

"Successor Servicer" is defined in Section 3.07(e) of the Indenture.

"Tariff" means the most current version on file with the Commission of [ ].

"Tax Returns" is defined in Section 1(a)(iii) of the Administration Agreement.

"Temporary Nuclear Asset-Recovery Bonds" means Nuclear Asset-Recovery Bonds executed and, upon the receipt of an Issuer Order, authenticated and delivered by the Indenture Trustee pending the preparation of Definitive Nuclear Asset-Recovery Bonds pursuant to Section 2.04 of the Indenture.

"Termination Notice" is defined in Section 7.01 of the Servicing Agreement.

"Tranche" means any one of the groupings of Nuclear Asset-Recovery Bonds differentiated by amortization schedule, interest rate or sinking fund schedule, as specified in the Series Supplement.

"True-Up Adjustment" means any Semi-Annual True-Up Adjustment or Interim True-Up Adjustment, as the case may be.

"Trust Indenture Act" means the Trust Indenture Act of 1939 as in force on the Closing Date, unless otherwise specifically provided.

"UCC" means the Uniform Commercial Code as in effect in the relevant jurisdiction.

"Underwriters" means the underwriters who purchase Nuclear Asset-Recovery Bonds of any Tranche from the Issuer and sell such Nuclear Asset-Recovery Bonds in a public offering.

"Underwriting Agreement" means the Underwriting Agreement, dated [, 20], by and among Duke Energy Florida, the representatives of the several Underwriters named therein and the Issuer.

"U.S. Government Obligations" means direct obligations (or certificates representing an ownership interest in such obligations) of the United States of America (including any agency or instrumentality thereof) for the payment of which the full faith and credit of the United States of America is pledged and that are not callable at the option of the issuer thereof.

"Weighted Average Days Outstanding" means the weighted average number of days Duke Energy Florida's monthly bills to Customers remain outstanding during the calendar year preceding the calculation thereof pursuant to Section 4.01(b)(i) of the Servicing Agreement.

B. Rules of Construction. Unless the context otherwise requires, in each Basic Document to which this Appendix A is attached:

(a) All accounting terms not specifically defined herein shall be construed in accordance with United States generally accepted accounting principles. To the extent that the definitions of accounting terms in any Basic Document are inconsistent with the meanings of such terms under generally accepted accounting principles or regulatory accounting principles, the definitions contained in such Basic Document shall control.

(b) The term "including" means "including without limitation", and other forms of the verb "include" have correlative meanings.

(c) All references to any Person shall include such Person's permitted successors and assigns, and any reference to a Person in a particular capacity excludes such Person in other capacities.

(d) Unless otherwise stated in any of the Basic Documents, in the computation of a period of time from a specified date to a later specified date, the word "from" means "from and including" and each of the words "to" and "until" means "to but excluding".

(e) The words "hereof", "herein" and "hereunder" and words of similar import when used in any Basic Document shall refer to such Basic Document as a whole and not to any particular provision of such Basic Document. References to Articles, Sections, Appendices and Exhibits in any Basic Document are references to Articles, Sections, Appendices and Exhibits in or to such Basic Document unless otherwise specified in such Basic Document.

(f) The various captions (including the tables of contents) in each Basic Document are provided solely for convenience of reference and shall not affect the meaning or interpretation of any Basic Document.

(g) The definitions contained in this Appendix A apply equally to the singular and plural forms of such terms, and words of the masculine, feminine or neuter gender shall mean and include the correlative words of other genders.

(h) Unless otherwise specified, references to an agreement or other document include references to such agreement or document as from time to time amended, restated, reformed, supplemented or otherwise modified in accordance with the terms thereof (subject to any restrictions on such amendments, restatements, reformations, supplements or modifications set forth in such agreement or document) and include any attachments thereto.

(i) References to any law, rule, regulation or order of a Governmental Authority shall include such law, rule, regulation or order as from time to time in effect, including any amendment, modification, codification, replacement or reenactment thereof or any substitution therefor.

(j) The word "will" shall be construed to have the same meaning and effect as the word "shall".

(k) The word "or" is not exclusive.

(l) All terms defined in the relevant Basic Document to which this Appendix A is attached shall have the defined meanings when used in any certificate or other document made or delivered pursuant thereto unless otherwise defined therein.

(m) A term has the meaning assigned to it.

INDENTURE

by and between

[DEF SPE] LLC,

Issuer

and

THE BANK OF NEW YORK MELLON,

Indenture Trustee and Securities Intermediary

Dated as of [, 20]

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	(a)(2)	6.11
	(a)(3)	6.10(b)(i)
	(a)(4)	Not applicable
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TRUST INDENTURE ACT SECTION		**INDENTURE SECTION**
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THIS CROSS REFERENCE TABLE SHALL NOT, FOR ANY PURPOSE, BE DEEMED TO BE PART OF THIS INDENTURE.

This INDENTURE, dated as of [, 20], is by and between [DEF SPE] LLC, a Delaware limited liability company, and THE BANK OF NEW YORK MELLON, a New York banking corporation, in its capacity as trustee for the benefit of the Secured Parties and in its separate capacity as a securities intermediary.

In consideration of the mutual agreements herein contained, each party hereto agrees as follows for the benefit of the other party hereto and each of the Holders:

RECITALS OF THE ISSUER

The Issuer has duly authorized the execution and delivery of this Indenture and the creation and issuance of the Nuclear Asset-Recovery Bonds issuable hereunder, which will be of substantially the tenor set forth herein and in the Series Supplement.

The Nuclear Asset-Recovery Bonds shall be non-recourse obligations and shall be secured by and payable solely out of the proceeds of the Nuclear Asset-Recovery Property and the other Nuclear Asset-Recovery Bond Collateral (as defined below) as provided herein. If and to the extent that such proceeds of the Nuclear Asset-Recovery Property and the other Nuclear Asset-Recovery Bond Collateral are insufficient to pay all amounts owing with respect to the Nuclear Asset-Recovery Bonds, then, except as otherwise expressly provided hereunder, the Holders shall have no Claim in respect of such insufficiency against the Issuer or the Indenture Trustee, and the Holders, by their acceptance of the Nuclear Asset-Recovery Bonds, waive any such Claim.

All things necessary to (a) make the Nuclear Asset-Recovery Bonds, when executed by the Issuer and authenticated and delivered by the Indenture Trustee hereunder and duly issued by the Issuer, valid obligations, and (b) make this Indenture a valid agreement of the Issuer, in each case, in accordance with their respective terms, have been done.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

That the Issuer, in consideration of the premises herein contained and of the purchase of the Nuclear Asset-Recovery Bonds by the Holders and of other good and lawful consideration, the receipt and sufficiency of which are hereby acknowledged, and to secure, equally and ratably without prejudice, priority or distinction, except as specifically otherwise set forth in this Indenture, the payment of the Nuclear Asset-Recovery Bonds, the payment of all other amounts due under or in connection with this Indenture (including all fees, expenses, counsel fees and other amounts due and owing to the Indenture Trustee) and the performance and observance of all of the covenants and conditions contained herein or in the Nuclear Asset-Recovery Bonds, has hereby executed and delivered this Indenture and by these presents does hereby and by the Series Supplement will convey, grant, assign, transfer and pledge, in each case, in and unto the Indenture Trustee, its successors and assigns forever, for the benefit of the Secured Parties, all and singular the property described in the Series Supplement (such property herein referred to as the "Nuclear Asset-Recovery Bond Collateral"). The Series Supplement

will more particularly describe the obligations of the Issuer secured by the Nuclear Asset-Recovery Bond Collateral.

AND IT IS HEREBY COVENANTED, DECLARED AND AGREED between the parties hereto that all Nuclear Asset-Recovery Bonds are to be issued, countersigned and delivered and that all of the Nuclear Asset-Recovery Bond Collateral is to be held and applied, subject to the further covenants, conditions, releases, uses and trusts hereinafter set forth, and the Issuer, for itself and any successor, does hereby covenant and agree to and with the Indenture Trustee and its successors in said trust, for the benefit of the Secured Parties, as follows:

ARTICLE I

DEFINITIONS AND RULES OF CONSTRUCTION; INCORPORATION BY REFERENCE

SECTION 1.01. Definitions and Rules of Construction. Capitalized terms used but not otherwise defined in this Indenture shall have the respective meanings given to such terms in Appendix A, which is hereby incorporated by reference into this Indenture as if set forth fully in this Indenture. Not all terms defined in Appendix A are used in this Indenture. The rules of construction set forth in Appendix A shall apply to this Indenture and are hereby incorporated by reference into this Indenture as if set forth fully in this Indenture.

SECTION 1.02. Incorporation by Reference of Trust Indenture Act. Whenever this Indenture refers to a provision of the Trust Indenture Act, that provision is incorporated by reference in and made a part of this Indenture. The following Trust Indenture Act terms used in this Indenture have the following meanings:

"indenture securities" means the Nuclear Asset-Recovery Bonds.

"indenture security holder" means a Holder.

"indenture to be qualified" means this Indenture.

"indenture trustee" or "institutional trustee" means the Indenture Trustee.

"obligor" on the indenture securities means the Issuer and any other obligor on the indenture securities.

All other Trust Indenture Act terms used in this Indenture that are defined by the Trust Indenture Act, defined by Trust Indenture Act reference to another statute or defined by SEC rule have the meanings assigned to them by such definitions.

ARTICLE II

THE NUCLEAR ASSET-RECOVERY BONDS

SECTION 2.01. Form. The Nuclear Asset-Recovery Bonds and the Indenture Trustee's certificate of authentication shall be in substantially the forms set forth in Exhibit A, with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture or by the Series Supplement and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may, consistently herewith, be determined by the officers executing the Nuclear Asset-Recovery Bonds, as evidenced by their execution of the Nuclear Asset-Recovery Bonds.

The Nuclear Asset-Recovery Bonds shall be typewritten, printed, lithographed or engraved or produced by any combination of these methods (with or without steel engraved borders), all as determined by the officers executing the Nuclear Asset-Recovery Bonds, as evidenced by their execution of the Nuclear Asset-Recovery Bonds.

Each Nuclear Asset-Recovery Bond shall be dated the date of its authentication. The terms of the Nuclear Asset-Recovery Bonds set forth in Exhibit A are part of the terms of this Indenture.

SECTION 2.02. Denominations of Nuclear Asset-Recovery Bonds. The Nuclear Asset-Recovery Bonds shall be issuable in the Authorized Denominations specified in the Series Supplement.

The Nuclear Asset-Recovery Bonds may, at the election of and as authorized by a Responsible Officer of the Issuer, be issued in one or more Tranches, and shall be designated generally as the "Senior Secured Nuclear Asset-Recovery Bonds, Series 20[ ]A" of the Issuer, with such further particular designations added or incorporated in such title for the Nuclear Asset-Recovery Bonds of any particular Tranche as a Responsible Officer of the Issuer may determine. Each Nuclear Asset-Recovery Bond shall bear the designation so selected for the Tranche to which it belongs. All Nuclear Asset-Recovery Bonds shall be identical in all respects except for the denominations thereof, the Holder thereof, the numbering thereon and the legends thereon, unless the Nuclear Asset-Recovery Bonds are comprised of one or more Tranches, in which case all Nuclear Asset-Recovery Bonds of the same Tranche shall be identical in all respects except for the denominations thereof, the Holder thereof, the numbering thereon, the legends thereon and the CUSIP number thereon. All Nuclear Asset-Recovery Bonds of a particular Tranche shall be in all respects equally and ratably entitled to the benefits hereof without preference, priority or distinction on account of the actual time or times of authentication and delivery, all in accordance with the terms and provisions of this Indenture.

The Nuclear Asset-Recovery Bonds shall be created by the Series Supplement authorized by a Responsible Officer of the Issuer, which Series Supplement shall specify and establish the terms and provisions thereof, including the following (which terms and provisions may differ as between Tranches):

(a) designation of any Tranches thereof;

(b) the principal amount (and, if more than one Tranche is issued, the respective principal amounts of such Tranches);

(c) the Bond Interest Rate;

(d) the Payment Dates;

(e) the Scheduled Payment Dates;

(f) the Scheduled Final Payment Date(s);

(g) the Final Maturity Date(s);

(h) the issuance date;

(i) the Authorized Denominations;

(j) the Expected Amortization Schedule(s);

(k) the place or places for the payment of interest, principal and premium, if any;

(l) any additional Secured Parties;

(m) the identity of the Indenture Trustee;

(n) the Nuclear Asset-Recovery Charges and the Nuclear Asset-Recovery Bond Collateral;

(o) whether or not the Nuclear Asset-Recovery Bonds are to be Book-Entry Nuclear Asset-Recovery Bonds and the extent to which Section 2.11 should apply; and

(p) any other terms of the Nuclear Asset-Recovery Bonds (or Tranches thereof) that are not inconsistent with the provisions of this Indenture and as to which the Rating Agency Condition is satisfied.

SECTION 2.03. Execution, Authentication and Delivery. The Nuclear Asset-Recovery Bonds shall be executed on behalf of the Issuer by any of its Responsible Officers. The signature of any such Responsible Officer on the Nuclear Asset-Recovery Bonds may be manual or facsimile.

Nuclear Asset-Recovery Bonds bearing the manual or facsimile signature of individuals who were at any time Responsible Officers of the Issuer shall bind the Issuer, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of the Nuclear Asset-Recovery Bonds or did not hold such offices at the date of the Nuclear Asset-Recovery Bonds.

At any time and from time to time after the execution and delivery of this Indenture, the Issuer may deliver Nuclear Asset-Recovery Bonds executed by the Issuer to the Indenture Trustee pursuant to an Issuer Order for authentication; and the Indenture Trustee shall authenticate and deliver the Nuclear Asset-Recovery Bonds as in this Indenture provided and not otherwise.

No Nuclear Asset-Recovery Bond shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose, unless there appears on such Nuclear Asset-Recovery Bond a certificate of authentication substantially in the form provided for therein executed by the Indenture Trustee by the manual signature of one of its authorized signatories, and such certificate upon any Nuclear Asset-Recovery Bond shall be conclusive evidence, and the only evidence, that such Nuclear Asset-Recovery Bond has been duly authenticated and delivered hereunder.

SECTION 2.04. Temporary Nuclear Asset-Recovery Bonds. Pending the preparation of Definitive Nuclear Asset-Recovery Bonds pursuant to Section 2.13, the Issuer may execute, and upon receipt of an Issuer Order the Indenture Trustee shall authenticate and deliver, Temporary Nuclear Asset-Recovery Bonds that are printed, lithographed, typewritten, mimeographed or otherwise produced, of the tenor of the Definitive Nuclear Asset-Recovery Bonds in lieu of which they are issued and with such variations not inconsistent with the terms of this Indenture as the officers executing the Nuclear Asset-Recovery Bonds may determine, as evidenced by their execution of the Nuclear Asset-Recovery Bonds.

If Temporary Nuclear Asset-Recovery Bonds are issued, the Issuer will cause Definitive Nuclear Asset-Recovery Bonds to be prepared without unreasonable delay. After the preparation of Definitive Nuclear Asset-Recovery Bonds, the Temporary Nuclear Asset-Recovery Bonds shall be exchangeable for Definitive Nuclear Asset-Recovery Bonds upon surrender of the Temporary Nuclear Asset-Recovery Bonds at the office or agency of the Issuer to be maintained as provided in Section 3.02, without charge to the Holder. Upon surrender for cancellation of any one or more Temporary Nuclear Asset-Recovery Bonds, the Issuer shall execute and the Indenture Trustee shall authenticate and deliver in exchange therefor a like principal amount of Definitive Nuclear Asset-Recovery Bonds of authorized denominations. Until so delivered in exchange, the Temporary Nuclear Asset-Recovery Bonds shall in all respects be entitled to the same benefits under this Indenture as Definitive Nuclear Asset-Recovery Bonds.

SECTION 2.05. Registration; Registration of Transfer and Exchange of Nuclear Asset-Recovery Bonds. The Issuer shall cause to be kept a register (the "Nuclear Asset-Recovery Bond Register") in which, subject to such reasonable regulations as it may prescribe, the Issuer shall provide for the registration of Nuclear Asset-Recovery Bonds and the registration of transfers of Nuclear Asset-Recovery Bonds. The Indenture Trustee shall be "Nuclear Asset-Recovery Bond Registrar" for the purpose of registering the Nuclear Asset-Recovery Bonds and transfers of Nuclear Asset-Recovery Bonds as herein provided. Upon any resignation of any Nuclear Asset-Recovery Bond Registrar, the Issuer shall promptly appoint a successor or, if it

elects not to make such an appointment, assume the duties of Nuclear Asset-Recovery Bond Registrar.

If a Person other than the Indenture Trustee is appointed by the Issuer as Nuclear Asset-Recovery Bond Registrar, the Issuer will give the Indenture Trustee prompt written notice of the appointment of such Nuclear Asset-Recovery Bond Registrar and of the location, and any change in the location, of the Nuclear Asset-Recovery Bond Register, and the Indenture Trustee shall have the right to inspect the Nuclear Asset-Recovery Bond Register at all reasonable times and to obtain copies thereof, and the Indenture Trustee shall have the right to rely conclusively upon a certificate executed on behalf of the Nuclear Asset-Recovery Bond Registrar by a Responsible Officer thereof as to the names and addresses of the Holders and the principal amounts and number of the Nuclear Asset-Recovery Bonds (separately stated by Tranche).

Upon surrender for registration of transfer of any Nuclear Asset-Recovery Bond at the office or agency of the Issuer to be maintained as provided in Section 3.02, provided that the requirements of Section 8-401 of the UCC are met, the Issuer shall execute, and the Indenture Trustee shall authenticate and the Holder shall obtain from the Indenture Trustee, in the name of the designated transferee or transferees, one or more new Nuclear Asset-Recovery Bonds in any Authorized Denominations, of the same Tranche and aggregate principal amount.

At the option of the Holder, Nuclear Asset-Recovery Bonds may be exchanged for other Nuclear Asset-Recovery Bonds in any Authorized Denominations, of the same Tranche and aggregate principal amount, upon surrender of the Nuclear Asset-Recovery Bonds to be exchanged at such office or agency as provided in Section 3.02. Whenever any Nuclear Asset-Recovery Bonds are so surrendered for exchange, the Issuer shall, provided that the requirements of Section 8-401 of the UCC are met, execute, and, upon any such execution, the Indenture Trustee shall authenticate and the Holder shall obtain from the Indenture Trustee, the Nuclear Asset-Recovery Bonds that the Holder making the exchange is entitled to receive.

All Nuclear Asset-Recovery Bonds issued upon any registration of transfer or exchange of other Nuclear Asset-Recovery Bonds shall be the valid obligations of the Issuer, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Nuclear Asset-Recovery Bonds surrendered upon such registration of transfer or exchange.

Every Nuclear Asset-Recovery Bond presented or surrendered for registration of transfer or exchange shall be duly endorsed by, or be accompanied by: (a) a written instrument of transfer in form satisfactory to the Indenture Trustee duly executed by the Holder thereof or such Holder's attorney duly authorized in writing, with such signature guaranteed by an institution that is a member of: (i) The Securities Transfer Agent Medallion Program (STAMP); (ii) The New York Stock Exchange Medallion Program (MSP); (iii) The Stock Exchange Medallion Program (SEMP); or (iv) such other signature guaranty program acceptable to the Indenture Trustee; and (b) such other documents as the Indenture Trustee may require.

No service charge shall be made to a Holder for any registration of transfer or exchange of Nuclear Asset-Recovery Bonds, but the Issuer or the Indenture Trustee may require

payment of a sum sufficient to cover any tax or other governmental charge or any fees or expenses of the Indenture Trustee that may be imposed in connection with any registration of transfer or exchange of Nuclear Asset-Recovery Bonds, other than exchanges pursuant to Section 2.04 or Section 2.06 not involving any transfer.

The preceding provisions of this Section 2.05 notwithstanding, the Issuer shall not be required to make, and the Nuclear Asset-Recovery Bond Registrar need not register, transfers or exchanges of any Nuclear Asset-Recovery Bond that has been submitted within 15 days preceding the due date for any payment with respect to such Nuclear Asset-Recovery Bond until after such due date has occurred.

SECTION 2.06. Mutilated, Destroyed, Lost or Stolen Nuclear Asset-Recovery Bonds. If (a) any mutilated Nuclear Asset-Recovery Bond is surrendered to the Indenture Trustee or the Indenture Trustee receives evidence to its satisfaction of the destruction, loss or theft of any Nuclear Asset-Recovery Bond and (b) there is delivered to the Indenture Trustee such security or indemnity as may be required by it to hold the Issuer and the Indenture Trustee harmless, then, in the absence of notice to the Issuer, the Nuclear Asset-Recovery Bond Registrar or the Indenture Trustee that such Nuclear Asset-Recovery Bond has been acquired by a Protected Purchaser, the Issuer shall, provided that the requirements of Section 8-401 of the UCC are met, execute, and, upon the Issuer's written request, the Indenture Trustee shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Nuclear Asset-Recovery Bond, a replacement Nuclear Asset-Recovery Bond of like Tranche, tenor and principal amount, bearing a number not contemporaneously outstanding; provided, however, that, if any such destroyed, lost or stolen Nuclear Asset-Recovery Bond, but not a mutilated Nuclear Asset-Recovery Bond, shall have become or within seven days shall be due and payable, instead of issuing a replacement Nuclear Asset-Recovery Bond, the Issuer may pay such destroyed, lost or stolen Nuclear Asset-Recovery Bond when so due or payable without surrender thereof. If, after the delivery of such replacement Nuclear Asset-Recovery Bond or payment of a destroyed, lost or stolen Nuclear Asset-Recovery Bond pursuant to the proviso to the preceding sentence, a Protected Purchaser of the original Nuclear Asset-Recovery Bond in lieu of which such replacement Nuclear Asset-Recovery Bond was issued presents for payment such original Nuclear Asset-Recovery Bond, the Issuer and the Indenture Trustee shall be entitled to recover such replacement Nuclear Asset-Recovery Bond (or such payment) from the Person to whom it was delivered or any Person taking such replacement Nuclear Asset-Recovery Bond from such Person to whom such replacement Nuclear Asset-Recovery Bond was delivered or any assignee of such Person, except a Protected Purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the Issuer or the Indenture Trustee in connection therewith.

Upon the issuance of any replacement Nuclear Asset-Recovery Bond under this Section 2.06, the Issuer and/or the Indenture Trustee may require the payment by the Holder of such Nuclear Asset-Recovery Bond of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other reasonable expenses (including the fees and expenses of the Indenture Trustee and the Nuclear Asset-Recovery Bond Registrar) in connection therewith.

Every replacement Nuclear Asset-Recovery Bond issued pursuant to this Section 2.06 in replacement of any mutilated, destroyed, lost or stolen Nuclear Asset-Recovery Bond shall constitute an original additional contractual obligation of the Issuer, whether or not the mutilated, destroyed, lost or stolen Nuclear Asset-Recovery Bond shall be found at any time or enforced by any Person, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Nuclear Asset-Recovery Bonds duly issued hereunder.

The provisions of this Section 2.06 are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Nuclear Asset-Recovery Bonds.

SECTION 2.07. Persons Deemed Owner. Prior to due presentment for registration of transfer of any Nuclear Asset-Recovery Bond, the Issuer, the Indenture Trustee, the Nuclear Asset-Recovery Bond Registrar and any agent of the Issuer or the Indenture Trustee may treat the Person in whose name any Nuclear Asset-Recovery Bond is registered (as of the day of determination) as the owner of such Nuclear Asset-Recovery Bond for the purpose of receiving payments of principal of and premium, if any, and interest on such Nuclear Asset-Recovery Bond and for all other purposes whatsoever, whether or not such Nuclear Asset-Recovery Bond be overdue, and none of the Issuer, the Indenture Trustee or any agent of the Issuer or the Indenture Trustee shall be affected by notice to the contrary.

SECTION 2.08. Payment of Principal, Premium, if any, and Interest; Interest on Overdue Principal; Principal, Premium, if any, and Interest Rights Preserved.

(a) The Nuclear Asset-Recovery Bonds shall accrue interest as provided in the Series Supplement at the applicable Bond Interest Rate, and such interest shall be payable on each applicable Payment Date. Any installment of interest, principal or premium, if any, payable on any Nuclear Asset-Recovery Bond that is punctually paid or duly provided for on the applicable Payment Date shall be paid to the Person in whose name such Nuclear Asset-Recovery Bond (or one or more Predecessor Nuclear Asset-Recovery Bonds) is registered on the Record Date for such Payment Date by wire transfer to an account maintained by such Holder in accordance with payment instructions delivered to the Indenture Trustee by such Holder, and, with respect to Book-Entry Nuclear Asset-Recovery Bonds, payments will be made by wire transfer in immediately available funds to the account designated by the Holder of the applicable Global Nuclear Asset-Recovery Bond unless and until such Global Nuclear Asset-Recovery Bond is exchanged for Definitive Nuclear Asset-Recovery Bonds (in which event payments shall be made as provided above) and except for the final installment of principal and premium, if any, payable with respect to such Nuclear Asset-Recovery Bond on a Payment Date, which shall be payable as provided below.

(b) The principal of each Nuclear Asset-Recovery Bond of each Tranche shall be paid, to the extent funds are available therefor in the Collection Account, in installments on each Payment Date specified in the Series Supplement; provided, that installments of principal not paid when scheduled to be paid in accordance with the Expected Amortization Schedule shall be paid upon receipt of money available for such purpose, in the order set forth in the Expected

Amortization Schedule. Failure to pay principal in accordance with such Expected Amortization Schedule because moneys are not available pursuant to Section 8.02 to make such payments shall not constitute a Default or Event of Default under this Indenture; provided, however, that failure to pay the entire unpaid principal amount of the Nuclear Asset-Recovery Bonds of a Tranche upon the Final Maturity Date for the Nuclear Asset-Recovery Bonds of such Tranche shall constitute an Event of Default under this Indenture as set forth in Section 5.01. Notwithstanding the foregoing, the entire unpaid principal amount of the Nuclear Asset-Recovery Bonds shall be due and payable, if not previously paid, on the date on which an Event of Default shall have occurred and be continuing, if the Indenture Trustee or the Holders of the Nuclear Asset-Recovery Bonds representing a majority of the Outstanding Amount of the Nuclear Asset-Recovery Bonds have declared the Nuclear Asset-Recovery Bonds to be immediately due and payable in the manner provided in Section 5.02. All payments of principal and premium, if any, on the Nuclear Asset-Recovery Bonds shall be made pro rata to the Holders entitled thereto unless otherwise provided in the Series Supplement. The Indenture Trustee shall notify the Person in whose name a Nuclear Asset-Recovery Bond is registered at the close of business on the Record Date preceding the Payment Date on which the Issuer expects that the final installment of principal of and premium, if any, and interest on such Nuclear Asset-Recovery Bond will be paid. Such notice shall be mailed no later than five days prior to such final Payment Date and shall specify that such final installment will be payable only upon presentation and surrender of such Nuclear Asset-Recovery Bond and shall specify the place where such Nuclear Asset-Recovery Bond may be presented and surrendered for payment of such installment.

(c) If interest on the Nuclear Asset-Recovery Bonds is not paid when due, such defaulted interest shall be paid (plus interest on such defaulted interest at the applicable Bond Interest Rate to the extent lawful) to the Persons who are Holders on a subsequent Special Record Date, which date shall be at least 15 Business Days prior to the Special Payment Date. The Issuer shall fix or cause to be fixed any such Special Record Date and Special Payment Date, and, at least ten days before any such Special Record Date, the Issuer shall mail to each affected Holder a notice that states the Special Record Date, the Special Payment Date and the amount of defaulted interest (plus interest on such defaulted interest) to be paid.

SECTION 2.09. Cancellation. All Nuclear Asset-Recovery Bonds surrendered for payment, registration of transfer or exchange shall, if surrendered to any Person other than the Indenture Trustee, be delivered to the Indenture Trustee and shall be promptly canceled by the Indenture Trustee. The Issuer may at any time deliver to the Indenture Trustee for cancellation any Nuclear Asset-Recovery Bonds previously authenticated and delivered hereunder that the Issuer may have acquired in any manner whatsoever, and all Nuclear Asset-Recovery Bonds so delivered shall be promptly canceled by the Indenture Trustee. No Nuclear Asset-Recovery Bonds shall be authenticated in lieu of or in exchange for any Nuclear Asset-Recovery Bonds canceled as provided in this Section 2.09, except as expressly permitted by this Indenture. All canceled Nuclear Asset-Recovery Bonds may be held or disposed of by the Indenture Trustee in accordance with its standard retention or disposal policy as in effect at the time.

SECTION 2.10. Outstanding Amount; Authentication and Delivery of Nuclear Asset-Recovery Bonds. The aggregate Outstanding Amount of Nuclear Asset-Recovery Bonds that may be authenticated and delivered under this Indenture shall not exceed the aggregate of the amounts of Nuclear Asset-Recovery Bonds that are authorized in the Financing Order but otherwise shall be unlimited.

Nuclear Asset-Recovery Bonds created and established by the Series Supplement may at any time be executed by the Issuer and delivered to the Indenture Trustee for authentication and thereupon the same shall be authenticated and delivered by the Indenture Trustee upon Issuer Request and upon delivery by the Issuer to the Indenture Trustee, and receipt by the Indenture Trustee, or the causing to occur by the Issuer, of the following; provided, however, that compliance with such conditions and delivery of such documents shall only be required in connection with the original issuance of the Nuclear Asset-Recovery Bonds:

(a) Issuer Action. An Issuer Order authorizing and directing the authentication and delivery of the Nuclear Asset-Recovery Bonds by the Indenture Trustee and specifying the principal amount of Nuclear Asset-Recovery Bonds to be authenticated.

(b) Authorizations. Copies of (i) the Financing Order, which shall be in full force and effect and be Final, (ii) certified resolutions of the Managers or Member of the Issuer authorizing the execution and delivery of the Series Supplement and the execution, authentication and delivery of the Nuclear Asset-Recovery Bonds and (iii) a Series Supplement duly executed by the Issuer.

(c) Opinions. An opinion or opinions, portions of which may be delivered by one or more counsel for the Issuer, portions of which may be delivered by one or more counsel for the Servicer, and portions of which may be delivered by one or more counsel for the Seller, dated the Closing Date, in each case subject to the customary exceptions, qualifications and assumptions contained therein, to the collective effect, that (i) all conditions precedent provided for in this Indenture relating to (A) the authentication and delivery of the Issuer's Nuclear Asset-Recovery Bonds and (B) the execution of the Series Supplement to this Indenture dated as of the date of this Indenture have been complied with and (ii) the execution of the Series Supplement to this Indenture dated as of the date of this Indenture is permitted by this Indenture, [together with the other Opinions of Counsel described in Sections 9(d) through 9(o) of the Underwriting Agreement (other than Sections 9(f)(i) and 9(h) thereof) relating to the Issuer's Nuclear Asset-Recovery Bonds].

(d) Authorizing Certificate. An Officer's Certificate, dated the Closing Date, of the Issuer certifying that (i) the Issuer has duly authorized the execution and delivery of this Indenture and the Series Supplement and the execution and delivery of the Nuclear Asset-Recovery Bonds and (ii) the Series Supplement is in the form attached thereto and complies with the requirements of Section 2.02.

(e) The Nuclear Asset-Recovery Bond Collateral. The Issuer shall have made or caused to be made all filings with the Commission and the Florida Secured Transaction

Registry pursuant to the Financing Order and the Nuclear Asset-Recovery Law and all other filings necessary to perfect the Grant of the Nuclear Asset-Recovery Bond Collateral to the Indenture Trustee and the Lien of this Indenture.

(f) Certificates of the Issuer and the Seller.

(i) An Officer's Certificate from the Issuer, dated as of the Closing Date:

(A) to the effect that (1) the Issuer is not in Default under this Indenture and that the issuance of the Nuclear Asset-Recovery Bonds will not result in any Default or in any breach of any of the terms, conditions or provisions of or constitute a default under the Financing Order or any indenture, mortgage, deed of trust or other agreement or instrument to which the Issuer is a party or by which it or its property is bound or any order of any court or administrative agency entered in any Proceeding to which the Issuer is a party or by which it or its property may be bound or to which it or its property may be subject and (2) all conditions precedent provided in this Indenture relating to the execution, authentication and delivery of the Nuclear Asset-Recovery Bonds have been complied with;

(B) to the effect that: the Issuer has not assigned any interest or participation in the Nuclear Asset-Recovery Bond Collateral except for the Grant contained in this Indenture and the Series Supplement; the Issuer has the power and right to Grant the Nuclear Asset-Recovery Bond Collateral to the Indenture Trustee as security hereunder and thereunder; and the Issuer, subject to the terms of this Indenture, has Granted to the Indenture Trustee a first priority perfected security interest in all of its right, title and interest in and to such Nuclear Asset-Recovery Bond Collateral free and clear of any Lien arising as a result of actions of the Issuer or through the Issuer, except Permitted Liens;

(C) to the effect that the Issuer has appointed the firm of Independent registered public accountants as contemplated in Section 8.06;

(D) to the effect that the Sale Agreement, the Servicing Agreement, the Administration Agreement and the Intercreditor Agreement are, to the knowledge of the Issuer (and assuming such agreements are enforceable against all parties thereto other than the Issuer and Duke Energy Florida), in full force and effect and, to the knowledge of the Issuer, that no party is in default of its obligations under such agreements; and

(E) certifying that the Nuclear Asset-Recovery Bonds have received the ratings from the Rating Agencies required by the Underwriting Agreement as a condition to the issuance of the Nuclear Asset-Recovery Bonds.

(ii) An officer's certificate from the Seller, dated as of the Closing Date, to the effect that:

(A) in the case of the Nuclear Asset-Recovery Property identified in the Bill of Sale, immediately prior to the conveyance thereof to the Issuer pursuant to the Sale Agreement: the Seller was the original and the sole owner of such Nuclear Asset-Recovery Property, free and clear of any Lien; the Seller had not assigned any interest or participation in such Nuclear Asset-Recovery Property and the proceeds thereof other than to the Issuer pursuant to the Sale Agreement; the Seller has the power, authority and right to own, sell and assign such Nuclear Asset-Recovery Property and the proceeds thereof to the Issuer; the Seller has its chief executive office in the State of [Florida]; and the Seller, subject to the terms of the Sale Agreement, has validly sold and assigned to the Issuer all of its right, title and interest in and to such Nuclear Asset-Recovery Property and the proceeds thereof, free and clear of any Lien (other than Permitted Liens) and such sale and assignment is absolute and irrevocable and has been perfected;

(B) in the case of the Nuclear Asset-Recovery Property identified in the Bill of Sale, immediately prior to the conveyance thereof to the Issuer pursuant to the Sale Agreement, the attached copy of the Financing Order creating such Nuclear Asset-Recovery Property is true and complete and is in full force and effect; and

(C) the Required Capital Level has been deposited or caused to be deposited by the Seller with the Indenture Trustee for crediting to the Capital Subaccount.

(g) Accountant's Certificate or Letter. One or more certificates or letters, addressed to the Issuer, of a firm of Independent registered public accountants of recognized national reputation to the effect that (i) such accountants are Independent with respect to the Issuer within the meaning of this Indenture and are independent public accountants within the meaning of the standards of the Public Company Accounting Oversight Board and (ii) with respect to the Nuclear Asset-Recovery Bond Collateral, they have applied such procedures as instructed by the addressees of such certificate or letter.

(h) Requirements of Series Supplement. Such other funds, accounts, documents, certificates, agreements, instruments or opinions as may be required by the terms of the Series Supplement.

(i) Other Requirements. Such other documents, certificates, agreements, instruments or opinions as the Indenture Trustee may reasonably require.

SECTION 2.11. Book-Entry Nuclear Asset-Recovery Bonds. Unless the Series Supplement provides otherwise, all of the Nuclear Asset-Recovery Bonds shall be issued in Book-Entry Form, and the Issuer shall execute and the Indenture Trustee shall, in accordance with this Section 2.11 and the Issuer Order, authenticate and deliver one or more Global Nuclear Asset-Recovery Bonds, evidencing the Nuclear Asset-Recovery Bonds, which (a) shall be an aggregate original principal amount equal to the aggregate original principal amount of the Nuclear Asset-Recovery Bonds to be issued pursuant to the Issuer Order, (b) shall be registered in the name of the Clearing Agency therefor or its nominee, which shall initially be Cede & Co., as nominee for The Depository Trust Company, the initial Clearing Agency, (c) shall be delivered by the Indenture Trustee pursuant to such Clearing Agency's or such nominee's instructions and (d) shall bear a legend substantially to the effect set forth in Exhibit A.

Each Clearing Agency designated pursuant to this Section 2.11 must, at the time of its designation and at all times while it serves as Clearing Agency hereunder, be a "clearing agency" registered under the Exchange Act and any other applicable statute or regulation.

No Holder of Nuclear Asset-Recovery Bonds issued in Book-Entry Form shall receive a Definitive Nuclear Asset-Recovery Bond representing such Holder's interest in any of the Nuclear Asset-Recovery Bonds, except as provided in Section 2.13. Unless (and until) certificated, fully registered Nuclear Asset-Recovery Bonds (the "Definitive Nuclear Asset-Recovery Bonds") have been issued to the Holders pursuant to Section 2.13 or pursuant to the Series Supplement relating thereto:

(i) the provisions of this Section 2.11 shall be in full force and effect;

(ii) the Issuer, the Servicer, the Paying Agent, the Nuclear Asset-Recovery Bond Registrar and the Indenture Trustee may deal with the Clearing Agency for all purposes (including the making of distributions on the Nuclear Asset-Recovery Bonds and the giving of instructions or directions hereunder) as the authorized representative of the Holders;

(iii) to the extent that the provisions of this Section 2.11 conflict with any other provisions of this Indenture, the provisions of this Section 2.11 shall control;

(iv) the rights of Holders shall be exercised only through the Clearing Agency and the Clearing Agency Participants and shall be limited to those established by law and agreements between such Holders and the Clearing Agency and/or the Clearing Agency Participants. Pursuant to the Letter of Representations, unless and until Definitive

Nuclear Asset-Recovery Bonds are issued pursuant to Section 2.13, the initial Clearing Agency will make book-entry transfers among the Clearing Agency Participants and receive and transmit distributions of principal of and interest on the Book-Entry Nuclear Asset-Recovery Bonds to such Clearing Agency Participants; and

(v) whenever this Indenture requires or permits actions to be taken based upon instruction or directions of the Holders evidencing a specified percentage of the Outstanding Amount of Nuclear Asset-Recovery Bonds, the Clearing Agency shall be deemed to represent such percentage only to the extent that it has received instructions to such effect from the Holders and/or the Clearing Agency Participants owning or representing, respectively, such required percentage of the beneficial interest in the Nuclear Asset-Recovery Bonds and has delivered such instructions to a Responsible Officer of the Indenture Trustee.

SECTION 2.12. Notices to Clearing Agency. Unless and until Definitive Nuclear Asset-Recovery Bonds shall have been issued to Holders pursuant to Section 2.13, whenever notice, payment or other communications to the holders of Book-Entry Nuclear Asset-Recovery Bonds is required under this Indenture, the Indenture Trustee, the Servicer and the Paying Agent, as applicable, shall give all such notices and communications specified herein to be given to Holders to the Clearing Agency.

SECTION 2.13. Definitive Nuclear Asset-Recovery Bonds. If (a) (i) the Issuer advises the Indenture Trustee in writing that the Clearing Agency is no longer willing or able to properly discharge its responsibilities under any Letter of Representations and (ii) the Issuer is unable to locate a qualified successor Clearing Agency, (b) the Issuer, at its option, advises the Indenture Trustee in writing that it elects to terminate the book-entry system through the Clearing Agency or (c) after the occurrence of an Event of Default hereunder, Holders holding Nuclear Asset-Recovery Bonds aggregating a majority of the aggregate Outstanding Amount of Nuclear Asset-Recovery Bonds maintained as Book-Entry Nuclear Asset-Recovery Bonds advise the Indenture Trustee, the Issuer and the Clearing Agency (through the Clearing Agency Participants) in writing that the continuation of a book-entry system through the Clearing Agency is no longer in the best interests of the Holders, the Issuer shall notify the Clearing Agency, the Indenture Trustee and all such Holders in writing of the occurrence of any such event and of the availability of Definitive Nuclear Asset-Recovery Bonds to the Holders requesting the same. Upon surrender to the Indenture Trustee of the Global Nuclear Asset-Recovery Bonds by the Clearing Agency accompanied by registration instructions from such Clearing Agency for registration, the Issuer shall execute, and the Indenture Trustee shall authenticate and deliver, Definitive Nuclear Asset-Recovery Bonds in accordance with the instructions of the Clearing Agency. None of the Issuer, the Nuclear Asset-Recovery Bond Registrar, the Paying Agent or the Indenture Trustee shall be liable for any delay in delivery of such instructions and may conclusively rely on, and shall be fully protected in relying on, such instructions. Upon the issuance of Definitive Nuclear Asset-Recovery Bonds, the Indenture Trustee shall recognize the Holders of the Definitive Nuclear Asset-Recovery Bonds as Holders hereunder.

Definitive Nuclear Asset-Recovery Bonds will be transferable and exchangeable at the offices of the Nuclear Asset-Recovery Bond Registrar.

SECTION 2.14. CUSIP Number. The Issuer in issuing any Nuclear Asset-Recovery Bonds may use a "CUSIP" number and, if so used, the Indenture Trustee shall use the CUSIP number provided to it by the Issuer in any notices to the Holders thereof as a convenience to such Holders; provided, that any such notice may state that no representation is made as to the correctness or accuracy of the CUSIP number printed in the notice or on the Nuclear Asset-Recovery Bonds and that reliance may be placed only on the other identification numbers printed on the Nuclear Asset-Recovery Bonds. The Issuer shall promptly notify the Indenture Trustee in writing of any change in the CUSIP number with respect to any Nuclear Asset-Recovery Bond.

SECTION 2.15. Letter of Representations. The Issuer shall comply with the terms of each Letter of Representations applicable to the Issuer.

SECTION 2.16. Tax Treatment. The Issuer and the Indenture Trustee, by entering into this Indenture, and the Holders and any Persons holding a beneficial interest in any Nuclear Asset-Recovery Bond, by acquiring any Nuclear Asset-Recovery Bond or interest therein, (a) express their intention that, solely for the purposes of U.S. federal taxes and, to the extent consistent with applicable state, local and other tax law, solely for the purposes of state, local and other taxes, the Nuclear Asset-Recovery Bonds qualify under applicable tax law as indebtedness of the Member secured by the Nuclear Asset-Recovery Bond Collateral and (b) solely for the purposes of U.S. federal taxes and, to the extent consistent with applicable state, local and other tax law, solely for purposes of state, local and other taxes, so long as any of the Nuclear Asset-Recovery Bonds are outstanding, agree to treat the Nuclear Asset-Recovery Bonds as indebtedness of the Member secured by the Nuclear Asset-Recovery Bond Collateral unless otherwise required by appropriate taxing authorities.

SECTION 2.17. State Pledge. Under the laws of the State of Florida in effect on the Closing Date, pursuant to Section 366.95(11) of the Nuclear Asset-Recovery Law, the State of Florida has pledged to agree and work with the Holders, the Indenture Trustee, other Financing Parties that the State of Florida will not (a) alter the provisions of Section 366.95(11) of the Nuclear Asset-Recovery Law which make the Nuclear Asset-Recovery Charges imposed by the Financing Order irrevocable, binding, and nonbypassable charges; (b) take or permit any action that impairs or would impair the value of Nuclear Asset-Recovery Property or revises the Nuclear Asset-Recovery Costs for which recovery is authorized; (c) or except as authorized under the Nuclear Asset-Recovery Law, reduce, alter, or impair Nuclear Asset-Recovery Charges that are to be imposed, collected, and remitted for the benefit of the Holders, the Indenture Trustee and other Financing Parties until any and all principal, interest, premium, Financing Costs and other fees, expenses, or charges incurred, and any contracts to be performed, in connection with the Nuclear Asset-Recovery Bonds have been paid and performed in full.

The Issuer hereby acknowledges that the purchase of any Nuclear Asset-Recovery Bond by a Holder or the purchase of any beneficial interest in a Nuclear Asset-Recovery Bond

by any Person and the Indenture Trustee's obligations to perform hereunder are made in reliance on such agreement and pledge by the State of Florida.

SECTION 2.18. Security Interests. The Issuer hereby makes the following representations and warranties. Other than the security interests granted to the Indenture Trustee pursuant to this Indenture, the Issuer has not pledged, granted, sold, conveyed or otherwise assigned any interests or security interests in the Nuclear Asset-Recovery Bond Collateral and no security agreement, financing statement or equivalent security or Lien instrument listing the Issuer as debtor covering all or any part of the Nuclear Asset-Recovery Bond Collateral is on file or of record in any jurisdiction, except such as may have been filed, recorded or made by the Issuer in favor of the Indenture Trustee on behalf of the Secured Parties in connection with this Indenture. This Indenture constitutes a valid and continuing lien on, and first priority perfected security interest in, the Nuclear Asset-Recovery Bond Collateral in favor of the Indenture Trustee on behalf of the Secured Parties, which lien and security interest is prior to all other Liens and is enforceable as such as against creditors of and purchasers from the Issuer in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws affecting creditors' rights generally or by general equitable principles, whether considered in a proceeding at law or in equity and by an implied covenant of good faith and fair dealing. With respect to all Nuclear Asset-Recovery Bond Collateral, this Indenture, together with the Series Supplement, creates a valid and continuing first priority perfected security interest (as defined in the UCC) in such Nuclear Asset-Recovery Bond Collateral, which security interest is prior to all other Liens and is enforceable as such as against creditors of and purchasers from the Issuer in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws affecting creditors' rights generally or by general equitable principles, whether considered in a proceeding at law or in equity and by an implied covenant of good faith and fair dealing. The Issuer has good and marketable title to the Nuclear Asset-Recovery Bond Collateral free and clear of any Lien of any Person other than Permitted Liens. All of the Nuclear Asset-Recovery Bond Collateral constitutes Nuclear Asset-Recovery Property or accounts, deposit accounts, investment property or general intangibles (as each such term is defined in the UCC), except that proceeds of the Nuclear Asset-Recovery Bond Collateral may also take the form of instruments. The Issuer has taken, or caused the Servicer to take, all action necessary to perfect the security interest in the Nuclear Asset-Recovery Bond Collateral granted to the Indenture Trustee, for the benefit of the Secured Parties. The Issuer has filed (or has caused the Servicer to file) all appropriate financing statements in the proper filing offices in the appropriate jurisdictions under applicable law in order to perfect the security interest in the Nuclear Asset-Recovery Bond Collateral granted to the Indenture Trustee. The Issuer has not authorized the filing of and is not aware, after due inquiry, of any financing statements against the Issuer that include a description of the Nuclear Asset-Recovery Bond Collateral other than those filed in favor of the Indenture Trustee. The Issuer is not aware of any judgment or tax lien filings against the Issuer. The Collection Account (including all subaccounts thereof) constitutes a "securities account" within the meaning of the UCC. The Issuer has taken all steps necessary to cause the Securities Intermediary of each such securities account to identify in its records the Indenture Trustee as the Person having a security entitlement against the Securities Intermediary in such securities account, no Collection Account

is in the name of any Person other than the Indenture Trustee, and the Issuer has not consented to the Securities Intermediary of the Collection Account to comply with entitlement orders of any Person other than the Indenture Trustee. All of the Nuclear Asset-Recovery Bond Collateral constituting investment property has been and will have been credited to the Collection Account or a subaccount thereof, and the Securities Intermediary for the Collection Account has agreed to treat all assets credited to the Collection Account as "financial assets" within the meaning of the UCC. Accordingly, the Indenture Trustee has a first priority perfected security interest in the Collection Account, all funds and financial assets on deposit therein, and all securities entitlements relating thereto. The representations and warranties set forth in this Section 2.18 shall survive the execution and delivery of this Indenture and the issuance of any Nuclear Asset-Recovery Bonds, shall be deemed re-made on each date on which any funds in the Collection Account are distributed to the Issuer or otherwise released from the Lien of the Indenture and may not be waived by any party hereto except pursuant to a supplemental indenture executed in accordance with Article IX and as to which the Rating Agency Condition has been satisfied.

ARTICLE III

COVENANTS

SECTION 3.01. Payment of Principal, Premium, if any, and Interest. The principal of and premium, if any, and interest on the Nuclear Asset-Recovery Bonds shall be duly and punctually paid by the Issuer, or the Servicer on behalf of the Issuer, in accordance with the terms of the Nuclear Asset-Recovery Bonds and this Indenture; provided, that, except on a Final Maturity Date or upon the acceleration of the Nuclear Asset-Recovery Bonds following the occurrence of an Event of Default, the Issuer shall only be obligated to pay the principal of the Nuclear Asset-Recovery Bonds on each Payment Date therefor to the extent moneys are available for such payment pursuant to Section 8.02. Amounts properly withheld under the Code, the Treasury regulations promulgated thereunder or other tax laws by any Person from a payment to any Holder of interest or principal or premium, if any, shall be considered as having been paid by the Issuer to such Holder for all purposes of this Indenture.

SECTION 3.02. Maintenance of Office or Agency. The Issuer shall initially maintain in [,] an office or agency where Nuclear Asset-Recovery Bonds may be surrendered for registration of transfer or exchange. The Issuer shall give prompt written notice to the Indenture Trustee of the location, and of any change in the location, of any such office or agency. The Issuer hereby initially appoints the Indenture Trustee to serve as its agent for the foregoing purposes, and the Corporate Trust Office of the Indenture Trustee shall serve as the offices provided above in this Section 3.02. If at any time the Issuer shall fail to maintain any such office or agency or shall fail to furnish the Indenture Trustee with the address thereof, such surrenders may be made at the office of the Indenture Trustee located at the Corporate Trust Office, and the Issuer hereby appoints the Indenture Trustee as its agent to receive all such surrenders.

SECTION 3.03. Money for Payments To Be Held in Trust. As provided in Section 8.02(a), all payments of amounts due and payable with respect to any Nuclear Asset-

Recovery Bonds that are to be made from amounts withdrawn from the Collection Account pursuant to Section 8.02(d) shall be made on behalf of the Issuer by the Indenture Trustee or by another Paying Agent, and no amounts so withdrawn from the Collection Account for payments with respect to any Nuclear Asset-Recovery Bonds shall be paid over to the Issuer except as provided in this Section 3.03 and Section 8.02.

Each Paying Agent shall meet the eligibility criteria set forth for any Indenture Trustee under Section 6.11. The Issuer will cause each Paying Agent other than the Indenture Trustee to execute and deliver to the Indenture Trustee an instrument in which such Paying Agent shall agree with the Indenture Trustee (and if the Indenture Trustee acts as Paying Agent, it hereby so agrees), subject to the provisions of this Section 3.03, that such Paying Agent will:

(a) hold all sums held by it for the payment of amounts due with respect to the Nuclear Asset-Recovery Bonds in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided and pay such sums to such Persons as herein provided;

(b) give the Indenture Trustee, the Commission and the Rating Agencies written notice of any Default by the Issuer of which it has actual knowledge in the making of any payment required to be made with respect to the Nuclear Asset-Recovery Bonds;

(c) at any time during the continuance of any such Default, upon the written request of the Indenture Trustee, forthwith pay to the Indenture Trustee all sums so held in trust by such Paying Agent;

(d) immediately, with notice to the Rating Agencies, resign as a Paying Agent and forthwith pay to the Indenture Trustee all sums held by it in trust for the payment of Nuclear Asset-Recovery Bonds if at any time the Paying Agent determines that it has ceased to meet the standards required to be met by a Paying Agent at the time of such determination; and

(e) comply with all requirements of the Code, the Treasury regulations promulgated thereunder and other tax laws with respect to the withholding from any payments made by it on any Nuclear Asset-Recovery Bonds of any applicable withholding taxes imposed thereon and with respect to any applicable reporting requirements in connection therewith.

The Issuer may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, by Issuer Order direct any Paying Agent to pay to the Indenture Trustee all sums held in trust by such Paying Agent, such sums to be held by the Indenture Trustee upon the same trusts as those upon which the sums were held by such Paying Agent; and, upon such payment by any Paying Agent to the Indenture Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Subject to applicable laws with respect to escheat of funds, any money held by the Indenture Trustee or any Paying Agent in trust for the payment of any amount due with respect to any Nuclear Asset-Recovery Bond and remaining unclaimed for two years after such amount

has become due and payable shall be discharged from such trust and be paid to the Issuer on an Issuer Request; and, subject to Section 10.14, the Holder of such Nuclear Asset-Recovery Bond shall thereafter, as an unsecured general creditor, look only to the Issuer for payment thereof (but only to the extent of the amounts so paid to the Issuer), and all liability of the Indenture Trustee or such Paying Agent with respect to such trust money shall thereupon cease; provided, however, that the Indenture Trustee or such Paying Agent, before being required to make any such repayment, may, at the expense of the Issuer, cause to be published once, in a newspaper published in the English language, customarily published on each Business Day and of general circulation in The City of New York, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Issuer. The Indenture Trustee may also adopt and employ, at the expense of the Issuer, any other reasonable means of notification of such repayment (including mailing notice of such repayment to Holders whose right to or interest in moneys due and payable but not claimed is determinable from the records of the Indenture Trustee or of any Paying Agent, at the last address of record for each such Holder).

SECTION 3.04. Existence. The Issuer shall keep in full effect its existence, rights and franchises as a limited liability company under the laws of the State of Delaware (unless it becomes, or any successor Issuer hereunder is or becomes, organized under the laws of any other State or of the United States of America, in which case the Issuer will keep in full effect its existence, rights and franchises under the laws of such other jurisdiction) and will obtain and preserve its qualification to do business in each jurisdiction in which such qualification is or shall be necessary to protect the validity and enforceability of this Indenture, the other Basic Documents, the Nuclear Asset-Recovery Bonds, the Nuclear Asset-Recovery Bond Collateral and each other instrument or agreement referenced herein or therein.

SECTION 3.05. Protection of Nuclear Asset-Recovery Bond Collateral. The Issuer shall from time to time execute and deliver all such supplements and amendments hereto and all filings with the Commission, the Secretary of State of the State of Delaware or the Florida Secured Transaction Registry pursuant to the Financing Order or to the Nuclear Asset-Recovery Law and all financing statements, continuation statements, instruments of further assurance and other instruments, and shall take such other action necessary or advisable, to:

(a) maintain or preserve the Lien (and the priority thereof) of this Indenture and the Series Supplement or carry out more effectively the purposes hereof;

(b) perfect, publish notice of or protect the validity of any Grant made or to be made by this Indenture;

(c) enforce any of the Nuclear Asset-Recovery Bond Collateral;

(d) preserve and defend title to the Nuclear Asset-Recovery Bond Collateral and the rights of the Indenture Trustee and the Holders in such Nuclear Asset-Recovery Bond Collateral against the Claims of all Persons, including the challenge by any party to the validity

or enforceability of the Financing Order, the Nuclear Asset-Recovery Property or any proceeding relating thereto and institute any action or proceeding necessary to compel performance by the Commission or the State of Florida of any of its obligations or duties under the Nuclear Asset-Recovery Law, the State Pledge, or the Financing Order; or

(e) pay any and all taxes levied or assessed upon all or any part of the Nuclear Asset-Recovery Bond Collateral.

The Indenture Trustee is specifically authorized to file financing statements covering the Nuclear Asset-Recovery Bond Collateral, including financing statements that describe the Nuclear Asset-Recovery Bond Collateral as "all assets" or "all personal property" of the Issuer and/or reflecting Section 366.95(5)(b). of the Nuclear Asset-Recovery Law, it being understood that in no event shall the Indenture Trustee be responsible for filing any such financing statements.

SECTION 3.06. Opinions as to Nuclear Asset-Recovery Bond Collateral.

(a) On the Closing Date, the Issuer shall furnish to the Indenture Trustee an Opinion of Counsel of external counsel of the Issuer either stating that, in the opinion of such counsel, such action has been taken with respect to the recording and filing of this Indenture, any indentures supplemental hereto and any other requisite documents, and with respect to the execution and filing of any filings with the Commission, the Secretary of State of the State of Delaware or the Florida Secured Transaction Registry pursuant to the Nuclear Asset-Recovery Law and the Financing Order, financing statements and continuation statements, as are necessary to perfect and make effective the Lien and the perfected security interest created by this Indenture and the Series Supplement, and, based on a review of a current report of a search of the appropriate governmental filing office, no other Lien that can be perfected solely by the filing of financing statements under the applicable Uniform Commercial Code ranks equal or prior to the Lien of the Indenture Trustee in the Nuclear Asset-Recovery Bond Collateral, and reciting the details of such action, or stating that, in the opinion of such counsel, no such action is necessary to make effective such Lien.

(b) Within 90 days after the beginning of each calendar year beginning with the calendar year beginning January 1, 20[17], the Issuer shall furnish to the Indenture Trustee an Opinion of Counsel of the Issuer either stating that, in the opinion of such counsel, such action has been taken with respect to the recording, filing, re-recording and refiling of this Indenture, any indentures supplemental hereto and any other requisite documents, and with respect to the execution and filing of any filings with the Commission, the Secretary of State of the State of Delaware or the Florida Secured Transaction Registry pursuant to the Nuclear Asset-Recovery Law and the Financing Order, financing statements and continuation statements, as are necessary to maintain the Lien and the perfected security interest created by this Indenture and the Series Supplement and reciting the details of such action, or stating that, in the opinion of such counsel, no such action is necessary to maintain such Lien. Such Opinion of Counsel shall also describe the recording, filing, re-recording and refiling of this Indenture, any indentures supplemental hereto and any other requisite documents and the execution and filing of any filings with the Commission, the Secretary of State of the State of Delaware or the Florida Secured Transaction

Registry, financing statements and continuation statements that will, in the opinion of such counsel, be required within the 12-month period following the date of such opinion to maintain the Lien and the perfected security interest created by this Indenture and the Series Supplement.

(c) Prior to the effectiveness of any amendment to the Sale Agreement or the Servicing Agreement, the Issuer shall furnish to the Indenture Trustee an Opinion of Counsel of external counsel of the Issuer either (i) stating that, in the opinion of such counsel, all filings, including UCC financing statements and other filings with the Commission, the Secretary of State of the State of Delaware or the Florida Secured Transaction Registry pursuant to the Nuclear Asset-Recovery Law or the Financing Order have been executed and filed that are necessary fully to preserve and protect the Lien of the Issuer and the Indenture Trustee in the Nuclear Asset-Recovery Property and the Nuclear Asset-Recovery Bond Collateral, respectively, and the proceeds thereof, and reciting the details of such filings or referring to prior Opinions of Counsel in which such details are given, or (ii) stating that, in the opinion of such counsel, no such action shall be necessary to preserve and protect such Lien.

SECTION 3.07. Performance of Obligations; Servicing; SEC Filings.

(a) The Issuer (i) shall diligently pursue any and all actions to enforce its rights under each instrument or agreement included in the Nuclear Asset-Recovery Bond Collateral and (ii) shall not take any action and shall use its best efforts not to permit any action to be taken by others that would release any Person from any of such Person's covenants or obligations under any such instrument or agreement or that would result in the amendment, hypothecation, subordination, termination or discharge of, or impair the validity or effectiveness of, any such instrument or agreement, except, in each case, as expressly provided in this Indenture, the Series Supplement, the Sale Agreement, the Servicing Agreement, the Intercreditor Agreement or such other instrument or agreement.

(b) The Issuer may contract with other Persons to assist it in performing its duties under this Indenture, and any performance of such duties by a Person identified to the Indenture Trustee herein or in an Officer's Certificate shall be deemed to be action taken by the Issuer. Initially, the Issuer has contracted with the Servicer to assist the Issuer in performing its duties under this Indenture.

(c) The Issuer shall punctually perform and observe all of its obligations and agreements contained in this Indenture, the Series Supplement, the other Basic Documents and the instruments and agreements included in the Nuclear Asset-Recovery Bond Collateral, including filing or causing to be filed all filings with the Commission, the Secretary of State of the State of Delaware or the Florida Secured Transaction Registry pursuant to the Nuclear Asset-Recovery Law or the Financing Order, all UCC financing statements and all continuation statements required to be filed by it by the terms of this Indenture, the Series Supplement, the Sale Agreement and the Servicing Agreement in accordance with and within the time periods provided for herein and therein.

(d) If the Issuer shall have knowledge of the occurrence of a Servicer Default under the Servicing Agreement, the Issuer shall promptly give written notice thereof to the Indenture Trustee, the Commission and the Rating Agencies and shall specify in such notice the response or action, if any, the Issuer has taken or is taking with respect to such Servicer Default. If a Servicer Default shall arise from the failure of the Servicer to perform any of its duties or obligations under the Servicing Agreement with respect to the Nuclear Asset-Recovery Property, the Nuclear Asset-Recovery Bond Collateral or the Nuclear Asset-Recovery Charges, the Issuer shall take all reasonable steps available to it to remedy such failure.

(e) As promptly as possible after the giving of notice of termination to the Servicer and the Rating Agencies of the Servicer's rights and powers pursuant to Section 7.01 of the Servicing Agreement, the Indenture Trustee may and shall, at the written direction either (a) of the Holders evidencing a majority of the Outstanding Amount of the Nuclear Asset-Recovery Bonds, or (b) of the Commission, appoint a successor Servicer (the "Successor Servicer"), and such Successor Servicer shall accept its appointment by a written assumption in a form acceptable to the Issuer and the Indenture Trustee. A Person shall qualify as a Successor Servicer only if such Person satisfies the requirements of the Servicing Agreement and the Intercreditor Agreement. If, within 30 days after the delivery of the notice referred to above, a new Servicer shall not have been appointed, the Indenture Trustee may petition the Commission or a court of competent jurisdiction to appoint a Successor Servicer. In connection with any such appointment, Duke Energy Florida may make such arrangements for the compensation of such Successor Servicer as it and such successor shall agree, subject to the limitations set forth in Section 8.02 and in the Servicing Agreement.

(f) Upon any termination of the Servicer's rights and powers pursuant to the Servicing Agreement, the Indenture Trustee shall promptly notify the Issuer, the Holders and the Rating Agencies. As soon as a Successor Servicer is appointed, the Indenture Trustee shall notify the Issuer, the Holders and the Rating Agencies of such appointment, specifying in such notice the name and address of such Successor Servicer.

(g) The Issuer shall (or shall cause the Sponsor to) post on its website (which for this purpose may be the website of any direct or indirect parent company of the Issuer) and, to the extent consistent with the Issuer's and the Sponsor's obligations under applicable law, file with or furnish to the SEC in periodic reports and other reports as are required from time to time under Section 13 or Section 15(d) of the Exchange Act, the following information (other than any such information filed with the SEC and publicly available to investors unless the Issuer specifically requests such items to be posted) with respect to the Outstanding Nuclear Asset-Recovery Bonds, in each case to the extent such information is reasonably available to the Issuer:

(i) statements of any remittances of Nuclear Asset-Recovery Charges made to the Indenture Trustee (to be included in a Form 10-D or Form 10-K, or successor forms thereto);

(ii) the Semi-Annual Servicer's Certificate as required to be submitted pursuant to the Servicing Agreement (to be filed with a Form 10-D, Form 10-K or Form 8-K, or successor forms thereto);

(iii) the Monthly Servicer's Certificate as required to be submitted pursuant to the Servicing Agreement;

(iv) the text (or a link to the website where a reader can find the text) of each filing of a True-Up Adjustment and the results of each such filing;

(v) any change in the long-term or short-term credit ratings of the Servicer assigned by the Rating Agencies;

(vi) material legislative or regulatory developments directly relevant to the Outstanding Nuclear Asset-Recovery Bonds (to be filed or furnished in a Form 8-K); and

(vii) any reports and other information that the Issuer is required to file with the SEC under the Exchange Act.

Notwithstanding the foregoing, nothing herein shall preclude the Issuer from voluntarily suspending or terminating its filing obligations as Issuer with the SEC to the extent permitted by applicable law. Any such reports or information delivered to the Indenture Trustee for purposes of this Section 3.07(g) is for informational purposes only, and the Indenture Trustee's receipt of such reports or information shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Issuer's compliance with any of its covenants hereunder (as to which the Indenture Trustee is entitled to conclusively rely on an Officer's Certificate).

(h) The Issuer shall direct the Indenture Trustee to post on the Indenture Trustee's website for investors (based solely on information set forth in the Semi-Annual Servicer's Certificate) with respect to the Outstanding Nuclear Asset-Recovery Bonds, to the extent such information is set forth in the Semi-Annual Servicer's Certificate, a statement showing the balance of Outstanding Nuclear Asset-Recovery Bonds that reflects the actual payments made on the Nuclear Asset-Recovery Bonds during the applicable period.

The address of the Indenture Trustee's website for investors is [https://gctinvestorreporting.bnymellon.com]. The Indenture Trustee shall immediately notify the Issuer, the Holders and the Rating Agencies of any change to the address of the website for investors.

(i) The Issuer shall make all filings required under the Nuclear Asset-Recovery Law relating to the transfer of the ownership or security interest in the Nuclear Asset-Recovery Property other than those required to be made by the Seller or the Servicer pursuant to the Basic Documents.

SECTION 3.08. Certain Negative Covenants. So long as any Nuclear Asset-Recovery Bonds are Outstanding, the Issuer shall not:

(a) except as expressly permitted by this Indenture and the other Basic Documents, sell, transfer, convey, exchange or otherwise dispose of any of the properties or assets of the Issuer, including those included in the Nuclear Asset-Recovery Bond Collateral, unless in accordance with Article V;

(b) claim any credit on, or make any deduction from the principal or premium, if any, or interest payable in respect of, the Nuclear Asset-Recovery Bonds (other than amounts properly withheld from such payments under the Code, the Treasury regulations promulgated thereunder or other tax laws) or assert any claim against any present or former Holder by reason of the payment of the taxes levied or assessed upon any part of the Nuclear Asset-Recovery Bond Collateral;

(c) terminate its existence or dissolve or liquidate in whole or in part, except in a transaction permitted by Section 3.10;

(d) (i) permit the validity or effectiveness of this Indenture or the other Basic Documents to be impaired, or permit the Lien of this Indenture and the Series Supplement to be amended, hypothecated, subordinated, terminated or discharged, or permit any Person to be released from any covenants or obligations with respect to the Nuclear Asset-Recovery Bonds under this Indenture except as may be expressly permitted hereby, (ii) permit any Lien (other than the Lien of this Indenture or the Series Supplement) to be created on or extend to or otherwise arise upon or burden the Nuclear Asset-Recovery Bond Collateral or any part thereof or any interest therein or the proceeds thereof (other than tax liens arising by operation of law with respect to amounts not yet due) or (iii) permit the Lien of the Series Supplement not to constitute a valid first priority perfected security interest in the Nuclear Asset-Recovery Bond Collateral;

(e) [enter into any swap, hedge or similar financial instrument after the issuance of the Nuclear Asset-Recovery Bonds];

(f) elect to be classified as an association taxable as a corporation for U.S. federal income tax purposes or otherwise take any action, file any tax return or make any election inconsistent with the treatment of the Issuer, for U.S. federal income tax purposes and, to the extent consistent with applicable state tax law, state income and franchise tax purposes, as a disregarded entity that is not separate from the sole owner of the Issuer;

(g) change its name, identity or structure or the location of its chief executive office, unless at least ten Business Days prior to the effective date of any such change the Issuer delivers to the Indenture Trustee (with copies to the Rating Agencies) such documents, instruments or agreements, executed by the Issuer, as are necessary to reflect such change and to continue the perfection of the security interest of this Indenture and the Series Supplement;

(h) take any action that is subject to a Rating Agency Condition without satisfying the Rating Agency Condition;

(i) except to the extent permitted by applicable law, voluntarily suspend or terminate its filing obligations with the SEC as described in Section 3.07(g); or

(j) issue any other nuclear asset-recovery bonds (as defined for this purpose in the Nuclear Asset-Recovery Law) under the Nuclear Asset-Recovery Law (other than the Nuclear Asset-Recovery Bonds) or issue any other debt obligations.

SECTION 3.09. Annual Statement as to Compliance. The Issuer will deliver to the Indenture Trustee, the Commission and the Rating Agencies not later than March 31 of each year (commencing with March 31, 20[17]), an Officer's Certificate stating, as to the Responsible Officer signing such Officer's Certificate, that:

(a) a review of the activities of the Issuer during the preceding 12 months ended December 31 (or, in the case of the first such Officer's Certificate, since the Closing Date) and of performance under this Indenture has been made; and

(b) to the best of such Responsible Officer's knowledge, based on such review, the Issuer has in all material respects complied with all conditions and covenants under this Indenture throughout such 12-month period (or such shorter period in the case of the first such Officer's Certificate), or, if there has been a default in the compliance of any such condition or covenant, specifying each such default known to such Responsible Officer and the nature and status thereof.

SECTION 3.10. Issuer May Consolidate, etc., Only on Certain Terms.

(a) The Issuer shall not consolidate or merge with or into any other Person, unless:

(i) the Person (if other than the Issuer) formed by or surviving such consolidation or merger shall (A) be a Person organized and existing under the laws of the United States of America or any State, (B) expressly assume, by an indenture supplemental hereto, executed and delivered to the Indenture Trustee, in form and substance satisfactory to the Indenture Trustee, the performance or observance of every agreement and covenant of this Indenture and the Series Supplement on the part of the Issuer to be performed or observed, all as provided herein and in the Series Supplement, and (C) assume all obligations and succeed to all rights of the Issuer under the Sale Agreement, the Servicing Agreement and each other Basic Document to which the Issuer is a party;

(ii) immediately after giving effect to such merger or consolidation, no Default, Event of Default or Servicer Default shall have occurred and be continuing;

(iii) the Rating Agency Condition shall have been satisfied with respect to such merger or consolidation;

(iv) the Issuer shall have delivered to Duke Energy Florida, the Indenture Trustee and the Rating Agencies an opinion or opinions of outside tax counsel (as selected by the Issuer, in form and substance reasonably satisfactory to Duke Energy Florida and the Indenture Trustee, and which may be based on a ruling from the Internal Revenue Service (unless the Internal Revenue Service has announced that it will not rule on the issues described in this paragraph)) to the effect that the consolidation or merger will not result in a material adverse U.S. federal or state income tax consequence to the Issuer, Duke Energy Florida, the Indenture Trustee or the then-existing Holders;

(v) any action as is necessary to maintain the Lien and the perfected security interest in the Nuclear Asset-Recovery Bond Collateral created by this Indenture and the Series Supplement shall have been taken as evidenced by an Opinion of Counsel of external counsel of the Issuer delivered to the Indenture Trustee; and

(vi) the Issuer shall have delivered to the Indenture Trustee an Officer's Certificate and an Opinion of Counsel of external counsel of the Issuer each stating that such consolidation or merger and such supplemental indenture comply with this Indenture and the Series Supplement and that all conditions precedent herein provided for in this Section 3.10(a) with respect to such transaction have been complied with (including any filing required by the Exchange Act).

(b) Except as specifically provided herein, the Issuer shall not sell, convey, exchange, transfer or otherwise dispose of any of its properties or assets included in the Nuclear Asset-Recovery Bond Collateral, to any Person, unless:

(i) the Person that acquires the properties and assets of the Issuer, the conveyance or transfer of which is hereby restricted, (A) shall be a United States citizen or a Person organized and existing under the laws of the United States of America or any State, (B) expressly assumes, by an indenture supplemental hereto, executed and delivered to the Indenture Trustee, in form and substance satisfactory to the Indenture Trustee, the performance or observance of every agreement and covenant of this Indenture on the part of the Issuer to be performed or observed, all as provided herein and in the Series Supplement, (C) expressly agrees by means of such supplemental indenture that all right, title and interest so sold, conveyed, exchanged, transferred or otherwise disposed of shall be subject and subordinate to the rights of Holders, (D) unless otherwise provided in the supplemental indenture referred to in Section 3.10(b)(i)(B), expressly agrees to indemnify, defend and hold harmless the Issuer and the Indenture Trustee against and from any loss, liability or expense arising under or related to this Indenture, the Series Supplement and the Nuclear Asset-Recovery Bonds, (E) expressly agrees by means of such supplemental indenture that such Person (or if a group of Persons, then one specified Person) shall make all filings with the SEC (and any other appropriate Person) required by the Exchange Act in connection with the Nuclear Asset-Recovery

Bonds and (F) if such sale, conveyance, exchange, transfer or disposal relates to the Issuer's rights and obligations under the Sale Agreement or the Servicing Agreement, assumes all obligations and succeeds to all rights of the Issuer under the Sale Agreement and the Servicing Agreement, as applicable;

(ii) immediately after giving effect to such transaction, no Default, Event of Default or Servicer Default shall have occurred and be continuing;

(iii) the Rating Agency Condition shall have been satisfied with respect to such transaction;

(iv) the Issuer shall have delivered to Duke Energy Florida, the Indenture Trustee and the Rating Agencies an opinion or opinions of outside tax counsel (as selected by the Issuer, in form and substance reasonably satisfactory to Duke Energy Florida and the Indenture Trustee, and which may be based on a ruling from the Internal Revenue Service) to the effect that the disposition will not result in a material adverse U.S. federal or state income tax consequence to the Issuer, Duke Energy Florida, the Indenture Trustee or the then-existing Holders;

(v) any action as is necessary to maintain the Lien and the perfected security interest in the Nuclear Asset-Recovery Bond Collateral created by this Indenture and the Series Supplement shall have been taken as evidenced by an Opinion of Counsel of external counsel of the Issuer delivered to the Indenture Trustee; and

(vi) the Issuer shall have delivered to the Indenture Trustee an Officer's Certificate and an Opinion of Counsel of external counsel of the Issuer each stating that such sale, conveyance, exchange, transfer or other disposition and such supplemental indenture comply with this Indenture and the Series Supplement and that all conditions precedent herein provided for in this Section 3.10(b) with respect to such transaction have been complied with (including any filing required by the Exchange Act).

SECTION 3.11. Successor or Transferee.

(a) Upon any consolidation or merger of the Issuer in accordance with Section 3.10(a), the Person formed by or surviving such consolidation or merger (if other than the Issuer) shall succeed to, and be substituted for, and may exercise every right and power of, the Issuer under this Indenture with the same effect as if such Person had been named as the Issuer herein.

(b) Except as set forth in Section 6.07, upon a sale, conveyance, exchange, transfer or other disposition of all the assets and properties of the Issuer in accordance with Section 3.10(b), the Issuer will be released from every covenant and agreement of this Indenture and the other Basic Documents to be observed or performed on the part of the Issuer with respect to the Nuclear Asset-Recovery Bonds and the Nuclear Asset-Recovery Property immediately following the consummation of such acquisition upon the delivery of written notice to the

Indenture Trustee from the Person acquiring such assets and properties stating that the Issuer is to be so released.

SECTION 3.12. No Other Business. The Issuer shall not engage in any business other than financing, purchasing, owning, administering, managing and servicing the Nuclear Asset-Recovery Property and the other Nuclear Asset-Recovery Bond Collateral and the issuance of the Nuclear Asset-Recovery Bonds in the manner contemplated by the Financing Order and this Indenture and the other Basic Documents and activities incidental thereto.

SECTION 3.13. No Borrowing. The Issuer shall not issue, incur, assume, guarantee or otherwise become liable, directly or indirectly, for any indebtedness except for the Nuclear Asset-Recovery Bonds and any other indebtedness expressly permitted by or arising under the Basic Documents.

SECTION 3.14. Servicer's Obligations. The Issuer shall enforce the Servicer's compliance with and performance of all of the Servicer's material obligations under the Servicing Agreement.

SECTION 3.15. Guarantees, Loans, Advances and Other Liabilities. Except as otherwise contemplated by the Sale Agreement, the Servicing Agreement or this Indenture, the Issuer shall not make any loan or advance or credit to, or guarantee (directly or indirectly or by an instrument having the effect of assuring another's payment or performance on any obligation or capability of so doing or otherwise), endorse or otherwise become contingently liable, directly or indirectly, in connection with the obligations, stocks or dividends of, or own, purchase, repurchase or acquire (or agree contingently to do so) any stock, obligations, assets or securities of, or any other interest in, or make any capital contribution to, any other Person.

SECTION 3.16. Capital Expenditures. Other than the purchase of Nuclear Asset-Recovery Property from the Seller on the Closing Date, the Issuer shall not make any expenditure (by long-term or operating lease or otherwise) for capital assets (either realty or personalty).

SECTION 3.17. Restricted Payments. Except as provided in Section 8.04(c), the Issuer shall not, directly or indirectly, (a) pay any dividend or make any distribution (by reduction of capital or otherwise), whether in cash, property, securities or a combination thereof, to any owner of an interest in the Issuer or otherwise with respect to any ownership or equity interest or similar security in or of the Issuer, (b) redeem, purchase, retire or otherwise acquire for value any such ownership or equity interest or similar security or (c) set aside or otherwise segregate any amounts for any such purpose; provided, however, that, if no Event of Default shall have occurred and be continuing or would be caused thereby, the Issuer may make, or cause to be made, any such distributions to any owner of an interest in the Issuer or otherwise with respect to any ownership or equity interest or similar security in or of the Issuer using funds distributed to the Issuer pursuant to Section 8.02(e)(x) to the extent that such distributions would not cause the balance of the Capital Subaccount to decline below the Required Capital Level.

The Issuer will not, directly or indirectly, make payments to or distributions from the Collection Account except in accordance with this Indenture and the other Basic Documents.

SECTION 3.18. Notice of Events of Default. The Issuer agrees to give the Indenture Trustee, the Commission and the Rating Agencies prompt written notice of each Default or Event of Default hereunder as provided in Section 5.01, and each default on the part of the Seller or the Servicer of its obligations under the Sale Agreement or the Servicing Agreement, respectively.

SECTION 3.19. Further Instruments and Acts. Upon request of the Indenture Trustee, the Issuer shall execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out more effectively the purpose of this Indenture and to maintain the first priority perfected security interest of the Indenture Trustee in the Nuclear Asset-Recovery Bond Collateral.

SECTION 3.20. Inspection. The Issuer agrees that, on reasonable prior notice, it will permit any representative of the Indenture Trustee and any representative of the Commission, during the Issuer's normal business hours, to examine all the books of account, records, reports and other papers of the Issuer, to make copies and extracts therefrom, to cause such books to be audited annually by Independent registered public accountants, and to discuss the Issuer's affairs, finances and accounts with the Issuer's officers, employees and Independent registered public accountants, all at such reasonable times and as often as may be reasonably requested. The Indenture Trustee and the Commission shall and shall cause its representatives to hold in confidence all such information except to the extent disclosure may be required by law (and all reasonable applications for confidential treatment are unavailing) and except to the extent that the Indenture Trustee may reasonably determine that such disclosure is consistent with its obligations hereunder. Notwithstanding anything herein to the contrary, the preceding sentence shall not be construed to prohibit (a) disclosure of any and all information that is or becomes publicly known, or information obtained by the Indenture Trustee from sources other than the Issuer, provided such parties are rightfully in possession of such information, (b) disclosure of any and all information (i) if required to do so by any applicable statute, law, rule or regulation, (ii) pursuant to any subpoena, civil investigative demand or similar demand or request of any court or regulatory authority exercising its proper jurisdiction, (iii) in any preliminary or final prospectus, registration statement or other document a copy of which has been filed with the SEC, (iv) to any affiliate, independent or internal auditor, agent, employee or attorney of the Indenture Trustee having a need to know the same, provided that such parties agree to be bound by the confidentiality provisions contained in this Section 3.20, or (v) to any Rating Agency or (c) any other disclosure authorized by the Issuer.

SECTION 3.21. Sale Agreement, Servicing Agreement, Intercreditor Agreement and Administration Agreement Covenants.

(a) The Issuer agrees to take all such lawful actions to enforce its rights under the Sale Agreement, the Servicing Agreement, the Intercreditor Agreement, the Administration Agreement and the other Basic Documents, and to compel or secure the performance and

observance by the Seller, the Servicer, the Administrator and Duke Energy Florida of each of their respective obligations to the Issuer under or in connection with the Sale Agreement, the Servicing Agreement, the Intercreditor Agreement, the Administration Agreement and the other Basic Documents in accordance with the terms thereof. So long as no Event of Default occurs and is continuing, but subject to Section 3.21(f), the Issuer may exercise any and all rights, remedies, powers and privileges lawfully available to the Issuer under or in connection with the Sale Agreement, the Servicing Agreement, the Intercreditor Agreement and the Administration Agreement; provided, that such action shall not adversely affect the interests of the Holders in any material respect.

(b) If an Event of Default occurs and is continuing, the Indenture Trustee may, and at the direction (which direction shall be in writing) of the Commission or Holders of a majority of the Outstanding Amount of the Nuclear Asset-Recovery Bonds of all Tranches affected thereby shall, exercise all rights, remedies, powers, privileges and claims of the Issuer against the Seller, Duke Energy Florida, the Administrator and the Servicer, as the case may be, under or in connection with the Sale Agreement, the Servicing Agreement, the Intercreditor Agreement and the Administration Agreement, including the right or power to take any action to compel or secure performance or observance by the Seller, Duke Energy Florida, the Administrator or the Servicer of each of their obligations to the Issuer thereunder and to give any consent, request, notice, direction, approval, extension or waiver under the Sale Agreement, the Servicing Agreement, the Intercreditor Agreement and the Administration Agreement, and any right of the Issuer to take such action shall be suspended.

(c) Except as set forth in Section 3.21(d), the Administration Agreement, the Sale Agreement, the Servicing Agreement and the Intercreditor Agreement may be amended in accordance with the provisions thereof, so long as the Rating Agency Condition is satisfied in connection therewith, at any time and from time to time, without the consent of the Holders of the Nuclear Asset-Recovery Bonds, but with the consent of the Trustee; provided, that the Trustee shall provide such consent upon receipt of an Officer's Certificate of the Issuer evidencing satisfaction of such Rating Agency Condition, an Opinion of Counsel of external counsel of the Issuer evidencing that such amendment is in accordance with the provisions of such Basic Document and satisfaction of the Commission Condition (as described in Section 9.03 hereof, or alternatively, if applicable, Section 13(b) of the Administration Agreement, Section 6.01(b) of the Sale Agreement or Section 8.01(b) of the Servicing Agreement).

(d) Except as set forth in Section 3.21(e), if the Issuer, the Seller, Duke Energy Florida, the Administrator, the Servicer or any other party to the respective agreement proposes to amend, modify, waive, supplement, terminate or surrender, or agree to any amendment, modification, waiver, supplement, termination or surrender of, the terms of the Sale Agreement, the Administration Agreement, the Servicing Agreement or the Intercreditor Agreement, or waive timely performance or observance by the Seller, Duke Energy Florida, the Administrator, the Servicer or any other party under the Sale Agreement, the Administration Agreement, the Servicing Agreement or the Intercreditor Agreement, in each case in such a way as would materially and adversely affect the interests of any Holder of Nuclear Asset-Recovery Bonds, the Issuer shall first notify the Rating Agencies of the proposed amendment,

modification, waiver, supplement, termination or surrender and shall promptly notify the Indenture Trustee, the Commission and the Holders of the Nuclear Asset-Recovery Bonds in writing of the proposed amendment, modification, waiver, supplement, termination or surrender and whether the Rating Agency Condition has been satisfied with respect thereto (or, pursuant to an Issuer Request, the Indenture Trustee shall so notify the Holders of the Nuclear Asset-Recovery Bonds on the Issuer's behalf). The Indenture Trustee shall consent to such proposed amendment, modification, waiver, supplement, termination or surrender only if the Rating Agency Condition is satisfied and only with the (i) prior written consent of the Holders of a majority of the Outstanding Amount of Nuclear Asset-Recovery Bonds of the Tranches materially and adversely affected thereby and (ii) satisfaction of the Commission Condition (as described in Section 9.03 hereof, or alternatively, if applicable, Section 13(b) of the Administration Agreement, Section 6.01(b) of the Sale Agreement or Section 8.01(b) of the Servicing Agreement). If any such amendment, modification, waiver, supplement, termination or surrender shall be so consented to by the Indenture Trustee or such Holders, the Issuer agrees to execute and deliver, in its own name and at its own expense, such agreements, instruments, consents and other documents as shall be necessary or appropriate in the circumstances.

(e) If the Issuer or the Servicer proposes to amend, modify, waive, supplement, terminate or surrender, or to agree to any amendment, modification, supplement, termination, waiver or surrender of, the process for True-Up Adjustments, the Issuer shall notify the Indenture Trustee and the Holders of the Nuclear Asset-Recovery Bonds and, when required, the Commission in writing of such proposal (or, pursuant to an Issuer Request, the Indenture Trustee shall so notify the Holders of the Nuclear Asset-Recovery Bonds on the Issuer's behalf) and the Indenture Trustee shall consent thereto only with the prior written consent of the Holders of a majority of the Outstanding Amount of Nuclear Asset-Recovery Bonds of the Tranches affected thereby and only if the Rating Agency Condition and Commission Condition have been satisfied with respect thereto.

(f) Promptly following a default by the Seller under the Sale Agreement, by the Administrator under the Administration Agreement or by any party under the Intercreditor Agreement, or the occurrence of a Servicer Default under the Servicing Agreement, and at the Issuer's expense, the Issuer agrees to take all such lawful actions as the Indenture Trustee may request to compel or secure the performance and observance by each of the Seller, the Administrator or the Servicer, and by such party to the Intercreditor Agreement, of their obligations under and in accordance with the Sale Agreement, the Servicing Agreement, the Administration Agreement and the Intercreditor Agreement, as the case may be, in accordance with the terms thereof, and to exercise any and all rights, remedies, powers and privileges lawfully available to the Issuer under or in connection with such agreements to the extent and in the manner directed by the Indenture Trustee, including the transmission of notices of any default by the Seller, the Administrator or the Servicer, respectively, thereunder and the institution of legal or administrative actions or Proceedings to compel or secure performance of their obligations under the Sale Agreement, the Servicing Agreement, the Administration Agreement or the Intercreditor Agreement, as applicable.

SECTION 3.22. Taxes. So long as any of the Nuclear Asset-Recovery Bonds are Outstanding, the Issuer shall pay all taxes, assessments and governmental charges imposed upon it or any of its properties or assets or with respect to any of its franchises, business, income or property before any penalty accrues thereon if the failure to pay any such taxes, assessments and governmental charges would, after any applicable grace periods, notices or other similar requirements, result in a Lien on the Nuclear Asset-Recovery Bond Collateral; provided, that no such tax need be paid if the Issuer is contesting the same in good faith by appropriate proceedings promptly instituted and diligently conducted and if the Issuer has established appropriate reserves as shall be required in conformity with generally accepted accounting principles.

SECTION 3.23. Notices from Holders. The Issuer shall promptly transmit any notice received by it from the Holders to the Indenture Trustee.

ARTICLE IV

SATISFACTION AND DISCHARGE; DEFEASANCE

SECTION 4.01. Satisfaction and Discharge of Indenture; Defeasance.

(a) This Indenture shall cease to be of further effect with respect to the Nuclear Asset-Recovery Bonds, and the Indenture Trustee, on reasonable written demand of and at the expense of the Issuer, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture with respect to the Nuclear Asset-Recovery Bonds, when:

(i) Either:

(A) all Nuclear Asset-Recovery Bonds theretofore authenticated and delivered (other than (1) Nuclear Asset-Recovery Bonds that have been destroyed, lost or stolen and that have been replaced or paid as provided in Section 2.06 and (2) Nuclear Asset-Recovery Bonds for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Issuer and thereafter repaid to the Issuer or discharged from such trust, as provided in the last paragraph of Section 3.03) have been delivered to the Indenture Trustee for cancellation; or

(B) either (1) the Scheduled Final Payment Date has occurred with respect to all Nuclear Asset-Recovery Bonds not theretofore delivered to the Indenture Trustee for cancellation or (2) the Nuclear Asset-Recovery Bonds will be due and payable on their respective Scheduled Final Payment Dates within one year, and, in any such case, the Issuer has irrevocably deposited or caused to be irrevocably deposited in trust with the Indenture Trustee (i) cash and/or (ii) U.S. Government Obligations that through the scheduled

payments of principal and interest in respect thereof in accordance with their terms are in an amount sufficient to pay principal, interest and premium, if any, on the Nuclear Asset-Recovery Bonds not theretofore delivered to the Indenture Trustee for cancellation, Ongoing Financing Costs and all other sums payable hereunder by the Issuer with respect to the Nuclear Asset-Recovery Bonds when scheduled to be paid and to discharge the entire indebtedness on the Nuclear Asset-Recovery Bonds when due;

(ii) the Issuer has paid or caused to be paid all other sums payable hereunder by the Issuer; and

(iii) the Issuer has delivered to the Indenture Trustee and the Commission an Officer's Certificate, an Opinion of Counsel of external counsel of the Issuer and (if required by the Trust Indenture Act or the Indenture Trustee) an Independent Certificate from a firm of registered public accountants, each meeting the applicable requirements of Section 10.01(a) and each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture with respect to the Nuclear Asset-Recovery Bonds have been complied with.

(b) Subject to Section 4.01(c) and Section 4.02, the Issuer at any time may terminate (i) all its obligations under this Indenture with respect to the Nuclear Asset-Recovery Bonds ("Legal Defeasance Option") or (ii) its obligations under Section 3.04, Section 3.05, Section 3.06, Section 3.07, Section 3.08, Section 3.09, Section 3.10, Section 3.12, Section 3.13, Section 3.14, Section 3.15, Section 3.16, Section 3.17, Section 3.18 and Section 3.19 and the operation of Section 5.01(c) with respect to the Nuclear Asset-Recovery Bonds ("Covenant Defeasance Option"). The Issuer may exercise the Legal Defeasance Option with respect to the Nuclear Asset-Recovery Bonds notwithstanding its prior exercise of the Covenant Defeasance Option.

If the Issuer exercises the Legal Defeasance Option, the maturity of the Nuclear Asset-Recovery Bonds may not be accelerated because of an Event of Default. If the Issuer exercises the Covenant Defeasance Option, the maturity of the Nuclear Asset-Recovery Bonds may not be accelerated because of an Event of Default specified in Section 5.01(c).

Upon satisfaction of the conditions set forth herein to the exercise of the Legal Defeasance Option or the Covenant Defeasance Option with respect to the Nuclear Asset-Recovery Bonds, the Indenture Trustee, on reasonable written demand of and at the expense of the Issuer, shall execute proper instruments acknowledging satisfaction and discharge of the obligations that are terminated pursuant to such exercise.

(c) Notwithstanding Section 4.01(a) and Section 4.01(b), (i) rights of registration of transfer and exchange, (ii) substitution of mutilated, destroyed, lost or stolen Nuclear Asset-Recovery Bonds, (iii) rights of Holders to receive payments of principal, premium, if any, and interest, (iv) Section 4.03 and Section 4.04, (v) the rights, obligations and

immunities of the Indenture Trustee hereunder (including the rights of the Indenture Trustee under Section 6.07 and the obligations of the Indenture Trustee under Section 4.03) and (vi) the rights of Holders as beneficiaries hereof with respect to the property deposited with the Indenture Trustee payable to all or any of them, each shall survive until this Indenture or certain obligations hereunder have been satisfied and discharged pursuant to Section 4.01(a) or Section 4.01(b). Thereafter the obligations in Section 6.07 and Section 4.04 shall survive.

SECTION 4.02. Conditions to Defeasance. The Issuer may exercise the Legal Defeasance Option or the Covenant Defeasance Option with respect to the Nuclear Asset-Recovery Bonds only if:

(a) the Issuer has irrevocably deposited or caused to be irrevocably deposited in trust with the Indenture Trustee (i) cash and/or (ii) U.S. Government Obligations that through the scheduled payments of principal and interest in respect thereof in accordance with their terms are in an amount sufficient to pay principal, interest and premium, if any, on the Nuclear Asset-Recovery Bonds not therefore delivered to the Indenture Trustee for cancellation and Ongoing Financing Costs and all other sums payable hereunder by the Issuer with respect to the Nuclear Asset-Recovery Bonds when scheduled to be paid and to discharge the entire indebtedness on the Nuclear Asset-Recovery Bonds when due;

(b) the Issuer delivers to the Indenture Trustee a certificate from a nationally recognized firm of Independent registered public accountants expressing its opinion that the payments of principal of and interest on the deposited U.S. Government Obligations when due and without reinvestment plus any deposited cash will provide cash at such times and in such amounts (but, in the case of the Legal Defeasance Option only, not more than such amounts) as will be sufficient to pay in respect of the Nuclear Asset-Recovery Bonds (i) principal in accordance with the Expected Amortization Schedule therefor, (ii) interest when due and (iii) Ongoing Financing Costs and all other sums payable hereunder by the Issuer with respect to the Nuclear Asset-Recovery Bonds;

(c) in the case of the Legal Defeasance Option, 95 days pass after the deposit is made and during the 95-day period no Default specified in Section 5.01(e) or Section 5.01(f) occurs that is continuing at the end of the period;

(d) no Default has occurred and is continuing on the day of such deposit and after giving effect thereto;

(e) in the case of an exercise of the Legal Defeasance Option, the Issuer shall have delivered to the Indenture Trustee an Opinion of Counsel of external counsel of the Issuer stating that (i) the Issuer has received from, or there has been published by, the Internal Revenue Service a ruling or (ii) since the date of execution of this Indenture, there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon such opinion shall confirm that, the Holders of the Nuclear Asset-Recovery Bonds will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such legal defeasance and will be subject to U.S. federal income tax on the same amounts, in the same

manner and at the same times as would have been the case if such legal defeasance had not occurred;

(f) in the case of an exercise of the Covenant Defeasance Option, the Issuer shall have delivered to the Indenture Trustee an Opinion of Counsel of external counsel of the Issuer to the effect that the Holders of the Nuclear Asset-Recovery Bonds will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such covenant defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred;

(g) the Issuer delivers to the Indenture Trustee an Officer's Certificate and an Opinion of Counsel, each stating that all conditions precedent to the Legal Defeasance Option or the Covenant Defeasance Option, as applicable, have been complied with as required by this Article IV;

(h) the Issuer delivers to the Indenture Trustee an Opinion of Counsel of external counsel of the Issuer to the effect that: (i) in a case under the Bankruptcy Code in which Duke Energy Florida (or any of its Affiliates, other than the Issuer) is the debtor, the court would hold that the deposited moneys or U.S. Government Obligations would not be in the bankruptcy estate of Duke Energy Florida (or any of its Affiliates, other than the Issuer, that deposited the moneys or U.S. Government Obligations); and (ii) in the event Duke Energy Florida (or any of its Affiliates, other than the Issuer, that deposited the moneys or U.S. Government Obligations) were to be a debtor in a case under the Bankruptcy Code, the court would not disregard the separate legal existence of Duke Energy Florida (or any of its Affiliates, other than the Issuer, that deposited the moneys or U.S. Government Obligations) and the Issuer so as to order substantive consolidation under the Bankruptcy Code of the Issuer's assets and liabilities with the assets and liabilities of Duke Energy Florida or such other Affiliate; and

(i) the Rating Agency Condition shall have been satisfied with respect to the exercise of any Legal Defeasance Option or Covenant Defeasance Option.

Notwithstanding any other provision of this Section 4.02, no delivery of moneys or U.S. Government Obligations to the Indenture Trustee shall terminate any obligation of the Issuer to the Indenture Trustee under this Indenture or the Series Supplement or any obligation of the Issuer to apply such moneys or U.S. Government Obligations under Section 4.03 until principal of and premium, if any, and interest on the Nuclear Asset-Recovery Bonds shall have been paid in accordance with the provisions of this Indenture and the Series Supplement.

SECTION 4.03. Application of Trust Money. All moneys or U.S. Government Obligations deposited with the Indenture Trustee pursuant to Section 4.01 or Section 4.02 shall be held in trust and applied by it, in accordance with the provisions of the Nuclear Asset-Recovery Bonds and this Indenture, to the payment, either directly or through any Paying Agent, as the Indenture Trustee may determine, to the Holders of the particular Nuclear Asset-Recovery Bonds for the payment of which such moneys have been deposited with the Indenture Trustee, of all sums due and to become due thereon for principal, premium, if any, and interest; but such

moneys need not be segregated from other funds except to the extent required herein or in the Servicing Agreement or required by law. Notwithstanding anything to the contrary in this Article IV, the Indenture Trustee shall deliver or pay to the Issuer from time to time upon Issuer Request any moneys or U.S. Government Obligations held by it pursuant to Section 4.02 that, in the opinion of a nationally recognized firm of Independent registered public accountants expressed in a written certification thereof delivered to the Indenture Trustee (and not at the cost or expense of the Indenture Trustee), are in excess of the amount thereof that would be required to be deposited for the purpose for which such moneys or U.S. Government Obligations were deposited; provided, that any such payment shall be subject to the satisfaction of the Rating Agency Condition.

SECTION 4.04. Repayment of Moneys Held by Paying Agent. In connection with the satisfaction and discharge of this Indenture or the Covenant Defeasance Option or Legal Defeasance Option with respect to the Nuclear Asset-Recovery Bonds, all moneys then held by any Paying Agent other than the Indenture Trustee under the provisions of this Indenture shall, upon demand of the Issuer, be paid to the Indenture Trustee to be held and applied according to Section 3.03 and thereupon such Paying Agent shall be released from all further liability with respect to such moneys.

ARTICLE V

REMEDIES

SECTION 5.01. Events of Default. "Event of Default" means any one or more of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) default in the payment of any interest on any Nuclear Asset-Recovery Bond when the same becomes due and payable (whether such failure to pay interest is caused by a shortfall in Nuclear Asset-Recovery Charges received or otherwise), and such default shall continue for a period of five Business Days;

(b) default in the payment of the then unpaid principal of any Nuclear Asset-Recovery Bond of any Tranche on the Final Maturity Date for such Tranche;

(c) default in the observance or performance of any covenant or agreement of the Issuer made in this Indenture (other than defaults specified in Section 5.01(a) or Section 5.01(b)), and such default shall continue or not be cured, for a period of 30 days after the earlier of (i) the date that there shall have been given, by registered or certified mail, to the Issuer by the Indenture Trustee or to the Issuer and the Indenture Trustee by the Holders of at least 25 percent of the Outstanding Amount of the Nuclear Asset-Recovery Bonds, a written notice specifying such default and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder or (ii) the date that the Issuer has actual knowledge of the default;

(d) any representation or warranty of the Issuer made in this Indenture or in any certificate or other writing delivered pursuant hereto or in connection herewith proving to have been incorrect in any material respect as of the time when the same shall have been made, and the circumstance or condition in respect of which such representation or warranty was incorrect shall not have been eliminated or otherwise cured, within 30 days after the earlier of (i) the date that there shall have been given, by registered or certified mail, to the Issuer by the Indenture Trustee or to the Issuer and the Indenture Trustee by the Holders of at least twenty-five (25) percent of the Outstanding Amount of the Nuclear Asset-Recovery Bonds, a written notice specifying such incorrect representation or warranty and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder or (ii) the date the Issuer has actual knowledge of the default;

(e) the filing of a decree or order for relief by a court having jurisdiction in the premises in respect of the Issuer or any substantial part of the Nuclear Asset-Recovery Bond Collateral in an involuntary case or proceeding under any applicable U.S. federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Issuer or for any substantial part of the Nuclear Asset-Recovery Bond Collateral, or ordering the winding-up or liquidation of the Issuer's affairs, and such decree or order shall remain unstayed and in effect for a period of 90 consecutive days;

(f) the commencement by the Issuer of a voluntary case under any applicable U.S. federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, or the consent by the Issuer to the entry of an order for relief in an involuntary case or proceeding under any such law, or the consent by the Issuer to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Issuer or for any substantial part of the Nuclear Asset-Recovery Bond Collateral, or the making by the Issuer of any general assignment for the benefit of creditors, or the failure by the Issuer generally to pay its debts as such debts become due, or the taking of action by the Issuer in furtherance of any of the foregoing;

(g) any act or failure to act by the State of Florida or any of its agencies (including the Commission), officers or employees that violates the State Pledge or is not in accordance with the State Pledge; or

(h) any other event designated as such in the Series Supplement.

The Issuer shall deliver to a Responsible Officer of the Indenture Trustee and to the Rating Agencies, within five days after a Responsible Officer of the Issuer has knowledge of the occurrence thereof, written notice in the form of an Officer's Certificate of any event (i) that is an Event of Default under Section 5.01(a), Section 5.01(b), Section 5.01(f), Section 5.01(g) or Section 5.01(h) or (ii) that with the giving of notice, the lapse of time, or both, would become an Event of Default under Section 5.01(c), Section 5.01(d) or Section 5.01(e), including, in each case, the status of such Default or Event of Default and what action the Issuer is taking or proposes to take with respect thereto.

SECTION 5.02. Acceleration of Maturity; Rescission and Annulment. If an Event of Default (other than an Event of Default under Section 5.01(g)) should occur and be continuing, then and in every such case the Indenture Trustee or the Holders representing a majority of the Outstanding Amount of the Nuclear Asset-Recovery Bonds may declare the Nuclear Asset-Recovery Bonds to be immediately due and payable, by a notice in writing to the Issuer (and to the Indenture Trustee and the Commission if given by Holders), and upon any such declaration the unpaid principal amount of the Nuclear Asset-Recovery Bonds, together with accrued and unpaid interest thereon through the date of acceleration, shall become immediately due and payable.

At any time after such declaration of acceleration of maturity has been made and before a judgment or decree for payment of the money due has been obtained by the Indenture Trustee as hereinafter in this Article V provided, the Holders representing a majority of the Outstanding Amount of the Nuclear Asset-Recovery Bonds, by written notice to the Issuer, the Commission and the Indenture Trustee, may rescind and annul such declaration and its consequences if:

(a) the Issuer has paid or deposited with the Indenture Trustee a sum sufficient to pay:

(i) all payments of principal of and premium, if any, and interest on all Nuclear Asset-Recovery Bonds due and owing at such time as if such Event of Default had not occurred and was not continuing and all other amounts that would then be due hereunder or upon the Nuclear Asset-Recovery Bonds if the Event of Default giving rise to such acceleration had not occurred; and

(ii) all sums paid or advanced by the Indenture Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Indenture Trustee and its agents and counsel; and

(b) all Events of Default, other than the nonpayment of the principal of the Nuclear Asset-Recovery Bonds that has become due solely by such acceleration, have been cured or waived as provided in Section 5.12.

No such rescission shall affect any subsequent default or impair any right consequent thereto.

SECTION 5.03. Collection of Indebtedness and Suits for Enforcement by Indenture Trustee.

(a) If an Event of Default under Section 5.01(a) or Section 5.01(b) has occurred and is continuing, subject to Section 10.16, the Indenture Trustee, in its own name and as trustee of an express trust, may institute a Proceeding for the collection of the sums so due and unpaid, and may prosecute such Proceeding to judgment or final decree, and, subject to the limitations on recourse set forth herein, may enforce the same against the Issuer or other obligor upon the Nuclear Asset-Recovery Bonds and collect in the manner provided by law out of the

property of the Issuer or other obligor upon the Nuclear Asset-Recovery Bonds wherever situated the moneys payable, or the Nuclear Asset-Recovery Bond Collateral and the proceeds thereof, the whole amount then due and payable on the Nuclear Asset-Recovery Bonds for principal, premium, if any, and interest, with interest upon the overdue principal and premium, if any, and, to the extent payment at such rate of interest shall be legally enforceable, upon overdue installments of interest, at the respective rate borne by the Nuclear Asset-Recovery Bonds or the applicable Tranche and in addition thereto such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Indenture Trustee and its agents and counsel.

(b) If an Event of Default (other than Event of Default under Section 5.01(g)) occurs and is continuing, the Indenture Trustee shall, as more particularly provided in Section 5.04, proceed to protect and enforce its rights and the rights of the Holders, by such appropriate Proceedings as the Indenture Trustee shall deem most effective to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy or legal or equitable right vested in the Indenture Trustee by this Indenture and the Series Supplement or by law, including foreclosing or otherwise enforcing the Lien of the Nuclear Asset-Recovery Bond Collateral securing the Nuclear Asset-Recovery Bonds or applying to the Commission or a court of competent jurisdiction for sequestration of revenues arising with respect to the Nuclear Asset-Recovery Property.

(c) If an Event of Default under Section 5.01(e) or Section 5.01(f) has occurred and is continuing, the Indenture Trustee, irrespective of whether the principal of any Nuclear Asset-Recovery Bonds shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Indenture Trustee shall have made any demand pursuant to the provisions of this Section 5.03, shall be entitled and empowered, by intervention in any Proceedings related to such Event of Default or otherwise:

(i) to file and prove a claim or claims for the whole amount of principal, premium, if any, and interest owing and unpaid in respect of the Nuclear Asset-Recovery Bonds and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Indenture Trustee (including any claim for reasonable compensation to the Indenture Trustee and each predecessor Indenture Trustee, and their respective agents, attorneys and counsel, and for reimbursement of all expenses and liabilities incurred, and all advances made, by the Indenture Trustee and each predecessor Indenture Trustee, except as a result of negligence or bad faith) and of the Holders allowed in such Proceedings;

(ii) unless prohibited by applicable law and regulations, to vote on behalf of the Holders in any election of a trustee in bankruptcy, a standby trustee or Person performing similar functions in any such Proceedings;

(iii) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute all amounts received with respect to the claims of the Holders and of the Indenture Trustee on their behalf; and

(iv) to file such proofs of claim and other papers and documents as may be necessary or advisable in order to have the claims of the Indenture Trustee or the Holders allowed in any judicial proceeding relative to the Issuer, its creditors and its property;

and any trustee, receiver, liquidator, custodian or other similar official in any such Proceeding is hereby authorized by each of such Holders to make payments to the Indenture Trustee, and, in the event that the Indenture Trustee shall consent to the making of payments directly to such Holders, to pay to the Indenture Trustee such amounts as shall be sufficient to cover reasonable compensation to the Indenture Trustee, each predecessor Indenture Trustee and their respective agents, attorneys and counsel, and all other expenses and liabilities incurred, and all advances made, by the Indenture Trustee and each predecessor Indenture Trustee except as a result of negligence or bad faith.

(d) Nothing herein contained shall be deemed to authorize the Indenture Trustee to authorize or consent to or vote for or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Nuclear Asset-Recovery Bonds or the rights of any Holder thereof or to authorize the Indenture Trustee to vote in respect of the claim of any Holder in any such proceeding except, as aforesaid, to vote for the election of a trustee in bankruptcy or similar Person.

(e) All rights of action and of asserting claims under this Indenture, or under any of the Nuclear Asset-Recovery Bonds, may be enforced by the Indenture Trustee without the possession of any of the Nuclear Asset-Recovery Bonds or the production thereof in any trial or other Proceedings relative thereto, and any such action or proceedings instituted by the Indenture Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment, subject to the payment of the expenses, disbursements and compensation of the Indenture Trustee, each predecessor Indenture Trustee and their respective agents and attorneys, shall be for the ratable benefit of the Holders of the Nuclear Asset-Recovery Bonds.

(f) In any Proceedings brought by the Indenture Trustee (and also any Proceedings involving the interpretation of any provision of this Indenture to which the Indenture Trustee shall be a party), the Indenture Trustee shall be held to represent all the Holders of the Nuclear Asset-Recovery Bonds, and it shall not be necessary to make any Holder a party to any such Proceedings.

SECTION 5.04. Remedies; Priorities.

(a) If an Event of Default (other than an Event of Default under Section 5.01(g)) shall have occurred and be continuing, the Indenture Trustee may do one or more of the following (subject to Section 5.05):

(i) institute Proceedings in its own name and as trustee of an express trust for the collection of all amounts then payable on the Nuclear Asset-Recovery Bonds or under this Indenture with respect thereto, whether by declaration of acceleration or otherwise, and, subject to the limitations on recovery set forth herein, enforce any judgment obtained, and collect from the Issuer or any other obligor moneys adjudged due, upon the Nuclear Asset-Recovery Bonds;

(ii) institute Proceedings from time to time for the complete or partial foreclosure of this Indenture with respect to the Nuclear Asset-Recovery Bond Collateral;

(iii) exercise any remedies of a secured party under the UCC, the Nuclear Asset-Recovery Law or any other applicable law and take any other appropriate action to protect and enforce the rights and remedies of the Indenture Trustee and the Holders of the Nuclear Asset-Recovery Bonds;

(iv) at the written direction of the Holders of a majority of the Outstanding Amount of the Nuclear Asset-Recovery Bonds, either sell the Nuclear Asset-Recovery Bond Collateral or any portion thereof or rights or interest therein, at one or more public or private sales called and conducted in any manner permitted by law, or elect that the Issuer maintain possession of all or a portion of the Nuclear Asset-Recovery Bond Collateral pursuant to Section 5.05 and continue to apply the Nuclear Asset-Recovery Charge Collection as if there had been no declaration of acceleration; and

(v) exercise all rights, remedies, powers, privileges and claims of the Issuer against the Seller, the Administrator or the Servicer under or in connection with, and pursuant to the terms of, the Sale Agreement, the Administration Agreement or the Servicing Agreement;

provided, however, that the Indenture Trustee may not sell or otherwise liquidate any portion of the Nuclear Asset-Recovery Bond Collateral following such an Event of Default, other than an Event of Default described in Section 5.01(a) or Section 5.01(b), unless (A) the Holders of 100 percent of the Outstanding Amount of the Nuclear Asset-Recovery Bonds consent thereto, (B) the proceeds of such sale or liquidation distributable to the Holders are sufficient to discharge in full all amounts then due and unpaid upon the Nuclear Asset-Recovery Bonds for principal, premium, if any, and interest after taking into account payment of all amounts due prior thereto pursuant to the priorities set forth in Section 8.02(e) or (C) the Indenture Trustee determines that the Nuclear Asset-Recovery Bond Collateral will not continue to provide sufficient funds for all payments on the Nuclear Asset-Recovery Bonds as they would have become due if the Nuclear Asset-Recovery Bonds had not been declared due and payable, and the Indenture Trustee obtains the written consent of Holders of at least two-thirds of the Outstanding Amount of the Nuclear Asset-Recovery Bonds. In determining such sufficiency or insufficiency with respect to clause (B) above and clause (C) above, the Indenture Trustee may, but need not, obtain and conclusively rely upon an opinion of an Independent investment banking or accounting firm of national reputation as to the feasibility of such proposed action and as to the sufficiency of the Nuclear Asset-Recovery Bond Collateral for such purpose.

(b) If an Event of Default under Section 5.01(g) shall have occurred and be continuing, the Indenture Trustee, for the benefit of the Secured Parties, shall be entitled and empowered, to the extent permitted by applicable law, to institute or participate in Proceedings necessary to compel performance of or to enforce the State Pledge and to collect any monetary damages incurred by the Holders or the Indenture Trustee as a result of any such Event of Default, and may prosecute any such Proceeding to final judgment or decree. Such remedy shall be the only remedy that the Indenture Trustee may exercise if the only Event of Default that has occurred and is continuing is an Event of Default under Section 5.01(g).

(c) If the Indenture Trustee collects any money pursuant to this Article V, it shall pay out such money in accordance with the priorities set forth in Section 8.02(e).

SECTION 5.05. Optional Preservation of the Nuclear Asset-Recovery Bond Collateral. If the Nuclear Asset-Recovery Bonds have been declared to be due and payable under Section 5.02 following an Event of Default and such declaration and its consequences have not been rescinded and annulled, the Indenture Trustee may, but need not, elect to maintain possession of all or a portion of the Nuclear Asset-Recovery Bond Collateral. It is the desire of the parties hereto and the Holders that there be at all times sufficient funds for the payment of principal of and premium, if any, and interest on the Nuclear Asset-Recovery Bonds, and the Indenture Trustee shall take such desire into account when determining whether or not to maintain possession of the Nuclear Asset-Recovery Bond Collateral. In determining whether to maintain possession of the Nuclear Asset-Recovery Bond Collateral or sell or liquidate the same, the Indenture Trustee may, but need not, obtain and conclusively rely upon an opinion of an Independent investment banking or accounting firm of national reputation as to the feasibility of such proposed action and as to the sufficiency of the Nuclear Asset-Recovery Bond Collateral for such purpose.

SECTION 5.06. Limitation of Suits. No Holder of any Nuclear Asset-Recovery Bond shall have any right to institute any Proceeding, judicial or otherwise, to avail itself of any remedies provided in the Nuclear Asset-Recovery Law or to avail itself of the right to foreclose on the Nuclear Asset-Recovery Bond Collateral or otherwise enforce the Lien and the security interest on the Nuclear Asset-Recovery Bond Collateral with respect to this Indenture and the Series Supplement, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless:

(a) such Holder previously has given written notice to the Indenture Trustee of a continuing Event of Default;

(b) the Holders of a majority of the Outstanding Amount of the Nuclear Asset-Recovery Bonds have made written request to the Indenture Trustee to institute such Proceeding in respect of such Event of Default in its own name as Indenture Trustee hereunder;

(c) such Holder or Holders have offered to the Indenture Trustee indemnity satisfactory to it against the costs, expenses and liabilities to be incurred in complying with such request;

(d) the Indenture Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute such Proceedings; and

(e) no direction inconsistent with such written request has been given to the Indenture Trustee during such 60-day period by the Holders of a majority of the Outstanding Amount of the Nuclear Asset-Recovery Bonds;

it being understood and intended that no one or more Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other Holders or to obtain or to seek to obtain priority or preference over any other Holders or to enforce any right under this Indenture, except in the manner herein provided.

In the event the Indenture Trustee shall receive conflicting or inconsistent requests and indemnity from two or more groups of Holders, each representing less than a majority of the Outstanding Amount of the Nuclear Asset-Recovery Bonds, the Indenture Trustee in its sole discretion may determine what action, if any, shall be taken, notwithstanding any other provisions of this Indenture.

SECTION 5.07. Unconditional Rights of Holders To Receive Principal, Premium, if any, and Interest. Notwithstanding any other provisions in this Indenture, the Holder of any Nuclear Asset-Recovery Bond shall have the right, which is absolute and unconditional, (a) to receive payment of (i) the interest, if any, on such Nuclear Asset-Recovery Bond on the due dates thereof expressed in such Nuclear Asset-Recovery Bond or in this Indenture or (ii) the unpaid principal, if any, of the Nuclear Asset-Recovery Bonds on the Final Maturity Date therefor and (b) to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of such Holder.

SECTION 5.08. Restoration of Rights and Remedies. If the Indenture Trustee or any Holder has instituted any Proceeding to enforce any right or remedy under this Indenture and such Proceeding has been discontinued or abandoned for any reason or has been determined adversely to the Indenture Trustee or to such Holder, then and in every such case the Issuer, the Indenture Trustee and the Holders shall, subject to any determination in such Proceeding, be restored severally and respectively to their former positions hereunder, and thereafter all rights and remedies of the Indenture Trustee and the Holders shall continue as though no such Proceeding had been instituted.

SECTION 5.09. Rights and Remedies Cumulative. No right or remedy herein conferred upon or reserved to the Indenture Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

SECTION 5.10. Delay or Omission Not a Waiver. No delay or omission of the Indenture Trustee or any Holder to exercise any right or remedy accruing upon any Default or Event of Default shall impair any such right or remedy or constitute a waiver of any such Default or Event of Default or an acquiescence therein. Every right and remedy given by this Article V or by law to the Indenture Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Indenture Trustee or by the Holders, as the case may be.

SECTION 5.11. Control by Holders. The Holders of a majority of the Outstanding Amount of the Nuclear Asset-Recovery Bonds of an affected Tranche or Tranches shall have the right to direct the time, method and place of conducting any Proceeding for any remedy available to the Indenture Trustee with respect to the Nuclear Asset-Recovery Bonds of such Tranche or Tranches or exercising any trust or power conferred on the Indenture Trustee with respect to such Tranche or Tranches; provided, that:

(a) such direction shall not be in conflict with any rule of law or with this Indenture and shall not involve the Indenture Trustee in any personal liability or expense;

(b) subject to other conditions specified in Section 5.04, any direction to the Indenture Trustee to sell or liquidate any Nuclear Asset-Recovery Bond Collateral shall be by the Holders representing 100 percent of the Outstanding Amount of the Nuclear Asset-Recovery Bonds;

(c) if the conditions set forth in Section 5.05 have been satisfied and the Indenture Trustee elects to retain the Nuclear Asset-Recovery Bond Collateral pursuant to Section 5.05, then any direction to the Indenture Trustee by Holders representing less than 100 percent of the Outstanding Amount of the Nuclear Asset-Recovery Bonds to sell or liquidate the Nuclear Asset-Recovery Bond Collateral shall be of no force and effect; and

(d) the Indenture Trustee may take any other action deemed proper by the Indenture Trustee that is not inconsistent with such direction;

provided, however, that the Indenture Trustee's duties shall be subject to Section 6.01, and the Indenture Trustee need not take any action that it determines might involve it in liability or might materially adversely affect the rights of any Holders not consenting to such action. Furthermore and without limiting the foregoing, the Indenture Trustee shall not be required to take any action for which it reasonably believes that it will not be indemnified to its satisfaction against any cost, expense or liabilities.

SECTION 5.12. Waiver of Past Defaults. Prior to the declaration of the acceleration of the maturity of the Nuclear Asset-Recovery Bonds as provided in Section 5.02, the Holders representing a majority of the Outstanding Amount of the Nuclear Asset-Recovery Bonds of an affected Tranche, with the written consent of the Commission, may waive any past Default or Event of Default and its consequences except a Default (a) in payment of principal of or premium, if any, or interest on any of the Nuclear Asset-Recovery Bonds or (b) in respect of a

covenant or provision hereof that cannot be modified or amended without the consent of the Holder of each Nuclear Asset-Recovery Bond of all Tranches affected. In the case of any such waiver, the Issuer, the Indenture Trustee and the Holders shall be restored to their former positions and rights hereunder, respectively, but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereto.

Upon any such waiver, such Default shall cease to exist and be deemed to have been cured and not to have occurred, and any Event of Default arising therefrom shall be deemed to have been cured and not to have occurred, for every purpose of this Indenture, but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereto.

SECTION 5.13. Undertaking for Costs. All parties to this Indenture agree, and each Holder of any Nuclear Asset-Recovery Bond by such Holder's acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Indenture Trustee for any action taken, suffered or omitted by it as Indenture Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section 5.13 shall not apply to (a) any suit instituted by the Indenture Trustee, (b) any suit instituted by any Holder, or group of Holders, in each case holding in the aggregate more than ten percent of the Outstanding Amount of the Nuclear Asset-Recovery Bonds or (c) any suit instituted by any Holder for the enforcement of the payment of (i) interest on any Nuclear Asset-Recovery Bond on or after the due dates expressed in such Nuclear Asset-Recovery Bond and in this Indenture or (ii) the unpaid principal, if any, of any Nuclear Asset-Recovery Bond on or after the Final Maturity Date therefor.

SECTION 5.14. Waiver of Stay or Extension Laws. The Issuer covenants (to the extent that it may lawfully do so) that it will not at any time insist upon or plead or, in any manner whatsoever, claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, that may affect the covenants or the performance of this Indenture; and the Issuer (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Indenture Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

SECTION 5.15. Action on Nuclear Asset-Recovery Bonds. The Indenture Trustee's right to seek and recover judgment on the Nuclear Asset-Recovery Bonds or under this Indenture shall not be affected by the seeking, obtaining or application of any other relief under or with respect to this Indenture. Neither the Lien of this Indenture nor any rights or remedies of the Indenture Trustee or the Holders shall be impaired by the recovery of any judgment by the Indenture Trustee against the Issuer or by the levy of any execution under such judgment upon any portion of the Nuclear Asset-Recovery Bond Collateral or any other assets of the Issuer.

ARTICLE VI

THE INDENTURE TRUSTEE

SECTION 6.01. Duties of Indenture Trustee.

(a) If an Event of Default has occurred and is continuing, the Indenture Trustee shall exercise the rights and powers vested in it by this Indenture and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) Except during the continuance of an Event of Default:

(i) the Indenture Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Indenture Trustee; and

(ii) in the absence of bad faith on its part, the Indenture Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Indenture Trustee and conforming to the requirements of this Indenture (but need not confirm or investigate the accuracy of mathematical calculations or other facts stated therein).

(c) The Indenture Trustee may not be relieved from liability for its own negligent action, its own bad faith, its own negligent failure to act or its own willful misconduct, except that:

(i) this Section 6.01(c) does not limit the effect of Section 6.01(b);

(ii) the Indenture Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer unless it is proved that the Indenture Trustee was negligent in ascertaining the pertinent facts; and

(iii) the Indenture Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it hereunder.

(d) Every provision of this Indenture that in any way relates to the Indenture Trustee is subject to Section 6.01(a), Section 6.01(b) and Section 6.01(c).

(e) The Indenture Trustee shall not be liable for interest on any money received by it except as the Indenture Trustee may agree in writing with the Issuer.

(f) Money held in trust by the Indenture Trustee need not be segregated from other funds held by the Indenture Trustee except to the extent required by law or the terms of this Indenture, the Sale Agreement, the Servicing Agreement or the Administration Agreement.

(g) No provision of this Indenture shall require the Indenture Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers, if it shall have reasonable grounds to believe that repayments of such funds or indemnity satisfactory to it against such risk or liability is not reasonably assured to it.

(h) Every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Indenture Trustee shall be subject to the provisions of this Section 6.01 and to the provisions of the Trust Indenture Act.

(i) In the event that the Indenture Trustee is also acting as Paying Agent or Nuclear Asset-Recovery Bond Registrar hereunder, the protections of this Article VI shall also be afforded to the Indenture Trustee in its capacity as Paying Agent or Nuclear Asset-Recovery Bond Registrar.

(j) Except for the express duties of the Indenture Trustee with respect to the administrative functions set forth in the Basic Documents, the Indenture Trustee shall have no obligation to administer, service or collect Nuclear Asset-Recovery Property or to maintain, monitor or otherwise supervise the administration, servicing or collection of the Nuclear Asset-Recovery Property.

(k) Under no circumstance shall the Indenture Trustee be liable for any indebtedness of the Issuer, the Servicer or the Seller evidenced by or arising under the Nuclear Asset-Recovery Bonds or the Basic Documents.

(l) Commencing with March 15, 20[17], on or before March 15th of each fiscal year ending December 31, so long as the Issuer is required to file Exchange Act reports, the Indenture Trustee shall (i) deliver to the Issuer a report (in form and substance reasonably satisfactory to the Issuer and addressed to the Issuer and signed by an authorized officer of the Indenture Trustee) regarding the Indenture Trustee's assessment of compliance, during the preceding fiscal year ended December 31, with each of the applicable servicing criteria specified on Exhibit C as required under Rule 13a-18 and Rule 15d-18 under the Exchange Act and Item 1122 of Regulation AB and (ii) deliver to the Issuer a report of an Independent registered public accounting firm reasonably acceptable to the Issuer that attests to and reports on, in accordance with Rule 1-02(a)(3) and Rule 2-02(g) of Regulation S-X under the Securities Act and the Exchange Act, the assessment of compliance made by the Indenture Trustee and delivered pursuant to Section 6.01(l)(i).

SECTION 6.02. Rights of Indenture Trustee.

(a) The Indenture Trustee may conclusively rely and shall be fully protected in relying on any document believed by it to be genuine and to have been signed or presented by the proper person. The Indenture Trustee need not investigate any fact or matter stated in such document.

(b) Before the Indenture Trustee acts or refrains from acting, it may require and shall be entitled to receive an Officer's Certificate or an Opinion of Counsel, which counsel may be an employee of or counsel to the Issuer or the Seller and which shall be reasonably satisfactory to the Indenture Trustee, or, in the Indenture Trustee's sole judgment, external counsel of the Issuer (at no cost or expense to the Indenture Trustee) that such action is required or permitted hereunder. The Indenture Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such Officer's Certificate or Opinion of Counsel.

(c) The Indenture Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys or a custodian or nominee, and the Indenture Trustee shall not be responsible for any misconduct or negligence on the part of, or for the supervision of, any such agent, attorney, custodian or nominee appointed with due care by it hereunder. The Indenture Trustee shall give prompt written notice to the Issuer, in which case the Issuer shall then give prompt written notice to the Rating Agencies, of the appointment of any such agent, custodian or nominee to whom it delegates any of its express duties under this Indenture; provided, that the Indenture Trustee shall not be obligated to give such notice (i) if the Issuer or the Holders have directed the Indenture Trustee to appoint such agent, custodian or nominee (in which event the Issuer shall give prompt notice to the Rating Agencies of any such direction) or (ii) of the appointment of any agents, custodians or nominees made at any time that an Event of Default on account of non-payment of principal or interest on the Nuclear Asset-Recovery Bonds or bankruptcy or insolvency of the Issuer has occurred and is continuing.

(d) The Indenture Trustee shall not be liable for any action it takes or omits to take in good faith that it believes to be authorized or within its rights or powers; provided, however, that the Indenture Trustee's conduct does not constitute willful misconduct, negligence or bad faith.

(e) The Indenture Trustee may consult with counsel, and the advice or opinion of counsel with respect to legal matters relating to this Indenture and the Nuclear Asset-Recovery Bonds shall be full and complete authorization and protection from liability in respect to any action taken, omitted or suffered by it hereunder in good faith and in accordance with the advice or opinion of such counsel.

(f) The Indenture Trustee shall be under no obligation to take any action or exercise any of the rights or powers vested in it by this Indenture or any other Basic Document, or to institute, conduct or defend any litigation hereunder or thereunder or in relation hereto or thereto, at the request, order or direction of any of the Holders pursuant to the provisions of this Indenture and the Series Supplement or otherwise, unless it shall have received security or indemnity satisfactory to it against the costs, expenses and liabilities that may be incurred.

(g) The Indenture Trustee may conclusively rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(h) Any request or direction of the Issuer mentioned herein shall be sufficiently evidenced by an Issuer Request or an Issuer Order.

(i) Whenever in the administration of this Indenture the Indenture Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Indenture Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, conclusively rely upon an Officer's Certificate.

(j) The Indenture Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Indenture Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Indenture Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Issuer, personally or by agent or attorney at the sole cost of the Issuer, and shall incur no liability or additional liability of any kind by reason of such inquiry or investigation.

(k) In no event shall the Indenture Trustee be responsible or liable for special, indirect or consequential loss or damage of any kind whatsoever (including loss of profit) irrespective of whether the Indenture Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

(l) In no event shall the Indenture Trustee be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control, including strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services, it being understood that the Indenture Trustee shall use reasonable efforts that are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

SECTION 6.03. Individual Rights of Indenture Trustee. The Indenture Trustee in its individual or any other capacity may become the owner or pledgee of Nuclear Asset-Recovery Bonds and may otherwise deal with the Issuer or its Affiliates with the same rights it would have if it were not Indenture Trustee. Any Paying Agent, Nuclear Asset-Recovery Bond Registrar, co-registrar or co-paying agent or agent appointed under Section 3.02 may do the same with like rights. However, the Indenture Trustee must comply with Section 6.11 and Section 6.12.

SECTION 6.04. Indenture Trustee's Disclaimer.

(a) The Indenture Trustee shall not be responsible for and makes no representation (other than as set forth in Section 6.13) as to the validity or adequacy of this

Indenture or the Nuclear Asset-Recovery Bonds, it shall not be accountable for the Issuer's use of the proceeds from the Nuclear Asset-Recovery Bonds, and it shall not be responsible for any statement of the Issuer in this Indenture or in any document issued in connection with the sale of the Nuclear Asset-Recovery Bonds or in the Nuclear Asset-Recovery Bonds other than the Indenture Trustee's certificate of authentication. The Indenture Trustee shall not be responsible for the form, character, genuineness, sufficiency, value or validity of any of the Nuclear Asset-Recovery Bond Collateral (or for the perfection or priority of the Liens thereon), or for or in respect of the Nuclear Asset-Recovery Bonds (other than the certificate of authentication for the Nuclear Asset-Recovery Bonds) or the Basic Documents, and the Indenture Trustee shall in no event assume or incur any liability, duty or obligation to any Holder, other than as expressly provided in this Indenture. The Indenture Trustee shall not be liable for the default or misconduct of the Issuer, the Seller or the Servicer under the Basic Documents or otherwise, and the Indenture Trustee shall have no obligation or liability to perform the obligations of such Persons.

(b) The Indenture Trustee shall not be responsible for (i) the validity of the title of the Issuer to the Nuclear Asset-Recovery Bond Collateral, (ii) insuring the Nuclear Asset-Recovery Bond Collateral or (iii) the payment of taxes, charges, assessments or Liens upon the Nuclear Asset-Recovery Bond Collateral or otherwise as to the maintenance of the Nuclear Asset-Recovery Bond Collateral. The Indenture Trustee shall have no duty to ascertain or inquire as to the performance or observance of any of the terms of this Indenture or any of the other Basic Documents. The Indenture Trustee shall not be responsible for filing any financing or continuation statements or recording any documents or instruments in any public office at any time or times or otherwise perfecting or maintaining the perfection of any security interest in the Nuclear Asset-Recovery Bond Collateral.

SECTION 6.05. Notice of Defaults. If a Default occurs and is continuing, the Indenture Trustee shall mail to each Rating Agency, to the Commission and each Holder notice of the Default within ten Business Days after actual notice of such Default was received by a Responsible Officer of the Indenture Trustee (provided that the Indenture Trustee shall give the Rating Agencies prompt notice of any payment default in respect of the Nuclear Asset-Recovery Bonds). Except in the case of a Default in payment of principal of and premium, if any, or interest on any Nuclear Asset-Recovery Bond, the Indenture Trustee may withhold the notice of the Default if and so long as a committee of its Responsible Officers in good faith determines that withholding such notice is in the interests of Holders. In no event shall the Indenture Trustee be deemed to have knowledge of a Default unless a Responsible Officer of the Indenture Trustee shall have actual knowledge of a Default or shall have received written notice thereof .

SECTION 6.06. Reports by Indenture Trustee to Holders.

(a) So long as Nuclear Asset-Recovery Bonds are Outstanding and the Indenture Trustee is the Nuclear Asset-Recovery Bond Registrar and Paying Agent, upon the written request of any Holder or the Issuer, within the prescribed period of time for tax reporting purposes after the end of each calendar year, the Indenture Trustee shall deliver to each relevant current or former Holder such information in its possession as may be required to enable such

Holder to prepare its U.S. federal income and any applicable local or state tax returns. If the Nuclear Asset-Recovery Bond Registrar and Paying Agent is other than the Indenture Trustee, such Nuclear Asset-Recovery Bond Registrar and Paying Agent, within the prescribed period of time for tax reporting purposes after the end of each calendar year, shall deliver to each relevant current or former Holder such information in its possession as may be required to enable such Holder to prepare its U.S. federal income and any applicable local or state tax returns.

(b) On or prior to each Payment Date or Special Payment Date therefor, the Indenture Trustee will deliver to each Holder of the Nuclear Asset-Recovery Bonds on such Payment Date or Special Payment Date and the Commission a statement as provided and prepared by the Servicer, which will include (to the extent applicable) the following information (and any other information so specified in the Series Supplement) as to the Nuclear Asset-Recovery Bonds with respect to such Payment Date or Special Payment Date or the period since the previous Payment Date, as applicable:

(i) the amount of the payment to Holders allocable to principal, if any;

(ii) the amount of the payment to Holders allocable to interest;

(iii) the aggregate Outstanding Amount of the Nuclear Asset-Recovery Bonds, before and after giving effect to any payments allocated to principal reported under Section 6.06(b)(i);

(iv) the difference, if any, between the amount specified in Section 6.06(b)(iii) and the Outstanding Amount specified in the related Expected Amortization Schedule;

(v) any other transfers and payments to be made on such Payment Date or Special Payment Date, including amounts paid to the Indenture Trustee and to the Servicer; and

(vi) the amounts on deposit in the Capital Subaccount and the Excess Funds Subaccount, after giving effect to the foregoing payments.

(c) The Issuer shall send a copy of each of the Certificate of Compliance delivered to it pursuant to Section 3.03 of the Servicing Agreement and the Annual Accountant's Report delivered to it pursuant to Section 3.04 of the Servicing Agreement to the Commission, the Rating Agencies and to the Servicer for posting on the 17g-5 Website in accordance with Rule 17g-5 under the Exchange Act. A copy of such certificate and report may be obtained by any Holder by a request in writing to the Indenture Trustee.

(d) The Indenture Trustee may consult with counsel, and the advice or opinion of such counsel with respect to legal matters relating to this Indenture and the Nuclear Asset-Recovery Bonds shall be full and complete authorization and protection from liability with respect to any action taken, omitted or suffered by it hereunder in good faith and in accordance with the advice or opinion of such counsel.

SECTION 6.07. Compensation and Indemnity. The Issuer shall pay to the Indenture Trustee from time to time reasonable compensation for its services. The Indenture Trustee's compensation shall not, to the extent permitted by law, be limited by any law on compensation of a trustee of an express trust. The Issuer shall reimburse the Indenture Trustee for all reasonable out-of-pocket expenses incurred or made by it, including costs of collection, in addition to the compensation for its services. Such expenses shall include the reasonable compensation and expenses, disbursements and advances of the Indenture Trustee's agents, counsel, accountants and experts. The Issuer shall indemnify and hold harmless the Indenture Trustee and its officers, directors, employees and agents against any and all cost, damage, loss, liability, tax or expense (including reasonable attorneys' fees and expenses) incurred by it in connection with the administration and the enforcement of this Indenture, the Series Supplement and the other Basic Documents and the Indenture Trustee's rights, powers and obligations under this Indenture, the Series Supplement and the other Basic Documents and the performance of its duties hereunder and thereunder and obligations under or pursuant to this Indenture, the Series Supplement and the other Basic Documents other than any such tax on the compensation of the Indenture Trustee for its services as Indenture Trustee. The Indenture Trustee shall notify the Issuer as soon as is reasonably practicable of any claim for which it may seek indemnity. Failure by the Indenture Trustee to so notify the Issuer shall not relieve the Issuer of its obligations hereunder. The Issuer shall defend the claim, the Indenture Trustee may have separate counsel, and the Issuer shall pay the reasonable fees and expenses of such counsel. The Issuer need not reimburse any expense or indemnify against any loss, liability or expense incurred by the Indenture Trustee through the Indenture Trustee's own willful misconduct, negligence or bad faith.

The payment obligations to the Indenture Trustee pursuant to this Section 6.07 shall survive the discharge of this Indenture and the Series Supplement or the earlier resignation or removal of the Indenture Trustee. When the Indenture Trustee incurs expenses after the occurrence of a Default specified in Section 5.01(e) or Section 5.01(f) with respect to the Issuer, the expenses are intended to constitute expenses of administration under the Bankruptcy Code or any other applicable U.S. federal or state bankruptcy, insolvency or similar law.

SECTION 6.08. Replacement of Indenture Trustee and Securities Intermediary.

(a) The Indenture Trustee may resign at any time upon 30 days' prior written notice to the Issuer subject to Section 6.08(c). The Holders of a majority of the Outstanding Amount of the Nuclear Asset-Recovery Bonds may remove the Indenture Trustee by so notifying the Indenture Trustee and may appoint a successor Indenture Trustee. The Issuer shall remove the Indenture Trustee if:

(i) the Indenture Trustee fails to comply with Section 6.11;

(ii) the Indenture Trustee is adjudged a bankrupt or insolvent;

(iii) a receiver or other public officer takes charge of the Indenture Trustee or its property;

(iv) the Indenture Trustee otherwise becomes incapable of acting; or

(v) the Indenture Trustee fails to provide to the Issuer any information reasonably requested by the Issuer pertaining to the Indenture Trustee and necessary for the Issuer or the Sponsor to comply with its respective reporting obligations under the Exchange Act and Regulation AB and such failure is not resolved to the Issuer's and the Indenture Trustee's mutual satisfaction within a reasonable period of time.

Any removal or resignation of the Indenture Trustee shall also constitute a removal or resignation of the Securities Intermediary.

(b) If the Indenture Trustee gives notice of resignation or is removed or if a vacancy exists in the office of Indenture Trustee for any reason (the Indenture Trustee in such event being referred to herein as the retiring Indenture Trustee), the Issuer shall promptly appoint a successor Indenture Trustee and Securities Intermediary.

(c) A successor Indenture Trustee shall deliver a written acceptance of its appointment as the Indenture Trustee and as the Securities Intermediary to the retiring Indenture Trustee and to the Issuer. Thereupon the resignation or removal of the retiring Indenture Trustee shall become effective, and the successor Indenture Trustee shall have all the rights, powers and duties of the Indenture Trustee and Securities Intermediary, as applicable, under this Indenture and the other Basic Documents. No resignation or removal of the Indenture Trustee pursuant to this Section 6.08 shall become effective until acceptance of the appointment by a successor Indenture Trustee having the qualifications set forth in Section 6.11. Notice of any such appointment shall be promptly given to each Rating Agency by the successor Indenture Trustee. The successor Indenture Trustee shall mail a notice of its succession to Holders. The retiring Indenture Trustee shall promptly transfer all property held by it as Indenture Trustee to the successor Indenture Trustee.

(d) If a successor Indenture Trustee does not take office within 60 days after the retiring Indenture Trustee resigns or is removed, the retiring Indenture Trustee, the Issuer or the Holders of a majority in Outstanding Amount of the Nuclear Asset-Recovery Bonds may petition any court of competent jurisdiction for the appointment of a successor Indenture Trustee.

(e) If the Indenture Trustee fails to comply with Section 6.11, any Holder may petition any court of competent jurisdiction for the removal of the Indenture Trustee and the appointment of a successor Indenture Trustee.

(f) Notwithstanding the replacement of the Indenture Trustee pursuant to this Section 6.08, the Issuer's obligations under Section 6.07 shall continue for the benefit of the retiring Indenture Trustee.

SECTION 6.09. Successor Indenture Trustee by Merger. If the Indenture Trustee consolidates with, merges or converts into, or transfers all or substantially all its corporate trust business or assets to, another corporation or banking association, the resulting,

surviving or transferee corporation or banking association without any further act shall be the successor Indenture Trustee; provided, however, that, if such successor Indenture Trustee is not eligible under Section 6.11, then the successor Indenture Trustee shall be replaced in accordance with Section 6.08. Notice of any such event shall be promptly given to each Rating Agency by the successor Indenture Trustee.

In case at the time such successor or successors by merger, conversion, consolidation or transfer shall succeed to the trusts created by this Indenture any of the Nuclear Asset-Recovery Bonds shall have been authenticated but not delivered, any such successor to the Indenture Trustee may adopt the certificate of authentication of any predecessor trustee and deliver the Nuclear Asset-Recovery Bonds so authenticated; and, in case at that time any of the Nuclear Asset-Recovery Bonds shall not have been authenticated, any successor to the Indenture Trustee may authenticate the Nuclear Asset-Recovery Bonds either in the name of any predecessor hereunder or in the name of the successor to the Indenture Trustee; and in all such cases such certificates shall have the full force that it is anywhere in the Nuclear Asset-Recovery Bonds or in this Indenture provided that the certificate of the Indenture Trustee shall have.

SECTION 6.10. Appointment of Co-Trustee or Separate Trustee.

(a) Notwithstanding any other provisions of this Indenture, at any time, for the purpose of meeting any legal requirement of any jurisdiction in which any part of the trust created by this Indenture or the Nuclear Asset-Recovery Bond Collateral may at the time be located, the Indenture Trustee shall have the power and may execute and deliver all instruments to appoint one or more Persons to act as a co-trustee or co-trustees, or separate trustee or separate trustees, of all or any part of the trust created by this Indenture or the Nuclear Asset-Recovery Bond Collateral, and to vest in such Person or Persons, in such capacity and for the benefit of the Secured Parties, such title to the Nuclear Asset-Recovery Bond Collateral, or any part hereof, and, subject to the other provisions of this Section 6.10, such powers, duties, obligations, rights and trusts as the Indenture Trustee may consider necessary or desirable. No co-trustee or separate trustee hereunder shall be required to meet the terms of eligibility as a successor trustee under Section 6.11 and no notice to Holders of the appointment of any co-trustee or separate trustee shall be required under Section 6.08. Notice of any such appointment shall be promptly given to each Rating Agency and to the Commission by the Indenture Trustee.

(b) Every separate trustee and co-trustee shall, to the extent permitted by law, be appointed and act subject to the following provisions and conditions:

(i) all rights, powers, duties and obligations conferred or imposed upon the Indenture Trustee shall be conferred or imposed upon and exercised or performed by the Indenture Trustee and such separate trustee or co-trustee jointly (it being understood that such separate trustee or co-trustee is not authorized to act separately without the Indenture Trustee joining in such act), except to the extent that under any law of any jurisdiction in which any particular act or acts are to be performed the Indenture Trustee

shall be incompetent or unqualified to perform such act or acts, in which event such rights, powers, duties and obligations (including the holding of title to the Nuclear Asset-Recovery Bond Collateral or any portion thereof in any such jurisdiction) shall be exercised and performed singly by such separate trustee or co-trustee, but solely at the direction of the Indenture Trustee;

(ii) no trustee hereunder shall be personally liable by reason of any act or omission of any other trustee hereunder; and

(iii) the Indenture Trustee may at any time accept the resignation of or remove any separate trustee or co-trustee.

(c) Any notice, request or other writing given to the Indenture Trustee shall be deemed to have been given to each of the then-separate trustees and co-trustees, as effectively as if given to each of them. Every instrument appointing any separate trustee or co-trustee shall refer to this Indenture and the conditions of this Article VI. Each separate trustee and co-trustee, upon its acceptance of the trusts conferred, shall be vested with the estates or property specified in its instrument of appointment, either jointly with the Indenture Trustee or separately, as may be provided therein, subject to all the provisions of this Indenture, specifically including every provision of this Indenture relating to the conduct of, affecting the liability of, or affording protection to, the Indenture Trustee. Every such instrument shall be filed with the Indenture Trustee.

(d) Any separate trustee or co-trustee may at any time constitute the Indenture Trustee, its agent or its attorney-in-fact with full power and authority, to the extent not prohibited by law, to do any lawful act under or in respect of this Indenture on its behalf and in its name. If any separate trustee or co-trustee shall die, become incapable of acting, resign or be removed, all of its estates, properties, rights, remedies and trusts shall vest in and be exercised by the Indenture Trustee, to the extent permitted by law, without the appointment of a new or successor trustee.

SECTION 6.11. Eligibility; Disqualification. The Indenture Trustee shall at all times satisfy the requirements of Section 310(a)(1) of the Trust Indenture Act, Section 310(a)(5) of the Trust Indenture Act and Section 26(a)(1) of the Investment Company Act. The Indenture Trustee shall have a combined capital and surplus of at least $50,000,000 as set forth in its most recent published annual report of condition and shall have a long-term debt rating from each of Moody's, S&P [and Fitch] in one of its generic rating categories that signifies investment grade. The Indenture Trustee shall comply with Section 310(b) of the Trust Indenture Act, including the optional provision permitted by the second sentence of Section 310(b)(9) of the Trust Indenture Act; provided, however, that there shall be excluded from the operation of Section 310(b)(1) of the Trust Indenture Act any indenture or indentures under which other securities of the Issuer are outstanding if the requirements for such exclusion set forth in Section 310(b)(1) of the Trust Indenture Act are met.

SECTION 6.12. Preferential Collection of Claims Against Issuer. The Indenture Trustee shall comply with Section 311(a) of the Trust Indenture Act, excluding any creditor relationship listed in Section 311(b) of the Trust Indenture Act. An Indenture Trustee who has resigned or been removed shall be subject to Section 311(a) of the Trust Indenture Act to the extent indicated therein.

SECTION 6.13. Representations and Warranties of Indenture Trustee. The Indenture Trustee hereby represents and warrants that:

(a) the Indenture Trustee is a banking corporation validly existing and in good standing under the laws of the State of New York; and

(b) the Indenture Trustee has full power, authority and legal right to execute, deliver and perform its obligations under this Indenture and the other Basic Documents to which the Indenture Trustee is a party and has taken all necessary action to authorize the execution, delivery and performance of obligations by it of this Indenture and such other Basic Documents.

SECTION 6.14. Annual Report by Independent Registered Public Accountants. The Indenture Trustee hereby covenants that it will cooperate fully with the firm of Independent registered public accountants performing the procedures required under Section 3.04 of the Servicing Agreement, it being understood and agreed that the Indenture Trustee will so cooperate in conclusive reliance upon the direction of the Issuer, and the Indenture Trustee makes no independent inquiry or investigation to, and shall have no obligation or liability in respect of, the sufficiency, validity or correctness of such procedures.

SECTION 6.15. Custody of Nuclear Asset-Recovery Bond Collateral. The Indenture Trustee shall hold such of the Nuclear Asset-Recovery Bond Collateral (and any other collateral that may be granted to the Indenture Trustee) as consists of instruments, deposit accounts, negotiable documents, money, goods, letters of credit and advices of credit in the State of New York. The Indenture Trustee shall hold such of the Nuclear Asset-Recovery Bond Collateral as constitute investment property through the Securities Intermediary (which, as of the date hereof, is The Bank of New York Mellon). The initial Securities Intermediary hereby agrees (and each future Securities Intermediary shall agree) with the Indenture Trustee that (a) such investment property shall at all times be credited to a securities account of the Indenture Trustee, (b) the Securities Intermediary shall treat the Indenture Trustee as entitled to exercise the rights that comprise each financial asset credited to such securities account, (c) all property credited to such securities account shall be treated as a financial asset, (d) the Securities Intermediary shall comply with entitlement orders originated by the Indenture Trustee without the further consent of any other Person, (e) the Securities Intermediary will not agree with any Person other than the Indenture Trustee to comply with entitlement orders originated by such other Person, (f) such securities accounts and the property credited thereto shall not be subject to any Lien or right of set-off in favor of the Securities Intermediary or anyone claiming through it (other than the Indenture Trustee) and (g) such agreement shall be governed by the internal laws of the State of New York. Terms used in the preceding sentence that are defined in the UCC and not otherwise defined herein shall have the meaning set forth in the UCC. Except as permitted

by this Section 6.15 or elsewhere in this Indenture, the Indenture Trustee shall not hold Nuclear Asset-Recovery Bond Collateral through an agent or a nominee.

ARTICLE VII

HOLDERS' LISTS AND REPORTS

SECTION 7.01. Issuer To Furnish Indenture Trustee Names and Addresses of Holders. The Issuer will furnish or cause to be furnished to the Indenture Trustee (a) not more than five days after the earlier of (i) each Record Date and (ii) six months after the last Record Date, a list, in such form as the Indenture Trustee may reasonably require, of the names and addresses of the Holders as of such Record Date, and (b) at such other times as the Indenture Trustee may request in writing, within 30 days after receipt by the Issuer of any such request, a list of similar form and content as of a date not more than ten days prior to the time such list is furnished; provided, however, that, so long as the Indenture Trustee is the Nuclear Asset-Recovery Bond Registrar, no such list shall be required to be furnished.

SECTION 7.02. Preservation of Information; Communications to Holders.

(a) The Indenture Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of the Holders contained in the most recent list furnished to the Indenture Trustee as provided in Section 7.01 and the names and addresses of Holders received by the Indenture Trustee in its capacity as Nuclear Asset-Recovery Bond Registrar. The Indenture Trustee may destroy any list furnished to it as provided in Section 7.01 upon receipt of a new list so furnished.

(b) Holders may communicate pursuant to Section 312(b) of the Trust Indenture Act with other Holders with respect to their rights under this Indenture or under the Nuclear Asset-Recovery Bonds. In addition, upon the written request of any Holder or group of Holders of Outstanding Nuclear Asset-Recovery Bonds evidencing at least 10 percent of the Outstanding Amount of the Nuclear Asset-Recovery Bonds, the Indenture Trustee shall afford the Holder or Holders making such request a copy of a current list of Holders for purposes of communicating with other Holders with respect to their rights hereunder; provided, that the Indenture Trustee gives prior written notice to the Issuer of such request.

(c) The Issuer, the Indenture Trustee and the Nuclear Asset-Recovery Bond Registrar shall have the protection of Section 312(c) of the Trust Indenture Act.

SECTION 7.03. Reports by Issuer.

(a) The Issuer shall:

(i) so long as the Issuer or the Sponsor is required to file such documents with the SEC, provide to the Indenture Trustee and the Commission, within 15 days after the Issuer is required to file the same with the SEC, copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the

foregoing as the SEC may from time to time by rules and regulations prescribe) that the Issuer or the Sponsor may be required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act;

(ii) provide to the Indenture Trustee and the Commission and file with the SEC, in accordance with rules and regulations prescribed from time to time by the SEC, such additional information, documents and reports with respect to compliance by the Issuer with the conditions and covenants of this Indenture as may be required from time to time by such rules and regulations; and

(iii) supply to the Indenture Trustee (and the Indenture Trustee shall transmit by mail to all Holders described in Section 313(c) of the Trust Indenture Act) and the Commission, such summaries of any information, documents and reports required to be filed by the Issuer pursuant to Section 7.03(a)(i) and Section 7.03(a)(ii) as may be required by rules and regulations prescribed from time to time by the SEC.

Except as may be provided by Section 313(c) of the Trust Indenture Act, the Issuer may fulfill its obligation to provide the materials described in this Section 7.03(a) by providing such materials in electronic format.

(b) Unless the Issuer otherwise determines, the fiscal year of the Issuer shall end on December 31 of each year.

SECTION 7.04. Reports by Indenture Trustee. If required by Section 313(a) of the Trust Indenture Act, within 60 days after March 30 of each year, commencing with March 30, 2016, the Indenture Trustee shall mail to each Holder as required by Section 313(c) of the Trust Indenture Act a brief report dated as of such date that complies with Section 313(a) of the Trust Indenture Act. The Indenture Trustee also shall comply with Section 313(b) of the Trust Indenture Act; provided, however, that the initial report so issued shall be delivered not more than 12 months after the initial issuance of the Nuclear Asset-Recovery Bonds.

A copy of each report at the time of its mailing to Holders shall be filed by the Servicer with the SEC and each stock exchange, if any, on which the Nuclear Asset-Recovery Bonds are listed. The Issuer shall notify the Indenture Trustee in writing if and when the Nuclear Asset-Recovery Bonds are listed on any stock exchange.

ARTICLE VIII

ACCOUNTS, DISBURSEMENTS AND RELEASES

SECTION 8.01. Collection of Money. Except as otherwise expressly provided herein, the Indenture Trustee may demand payment or delivery of, and shall receive and collect, directly and without intervention or assistance of any fiscal agent or other intermediary, all money and other property payable to or receivable by the Indenture Trustee pursuant to this Indenture and the other Basic Documents. The Indenture Trustee shall apply all such money

received by it as provided in this Indenture. Except as otherwise expressly provided in this Indenture, if any default occurs in the making of any payment or performance under any agreement or instrument that is part of the Nuclear Asset-Recovery Bond Collateral, the Indenture Trustee may take such action as may be appropriate to enforce such payment or performance, subject to Article VI, including the institution and prosecution of appropriate Proceedings. Any such action shall be without prejudice to any right to claim a Default or Event of Default under this Indenture and any right to proceed thereafter as provided in Article V.

SECTION 8.02. Collection Account.

(a) Prior to the Closing Date, the Issuer shall open or cause to be opened with the Securities Intermediary located at the Indenture Trustee's office located at the Corporate Trust Office, or at another Eligible Institution, one or more segregated trust accounts in the Indenture Trustee's name for the deposit of Nuclear Asset-Recovery Charge Collections and all other amounts received with respect to the Nuclear Asset-Recovery Bond Collateral (the "Collection Account"). There shall be established by the Indenture Trustee in respect of the Collection Account three subaccounts: a general subaccount (the "General Subaccount"); an excess funds subaccount (the "Excess Funds Subaccount"); and a capital subaccount (the "Capital Subaccount" and, together with the General Subaccount and the Excess Funds Subaccount, the "Subaccounts"). For administrative purposes, the Subaccounts may be established by the Securities Intermediary as separate accounts. Such separate accounts will be recognized individually as a Subaccount and collectively as the "Collection Account". Prior to or concurrently with the issuance of Nuclear Asset-Recovery Bonds, the Member shall deposit into the Capital Subaccount an amount equal to the Required Capital Level. All amounts in the Collection Account not allocated to any other subaccount shall be allocated to the General Subaccount. Prior to the initial Payment Date, all amounts in the Collection Account (other than funds deposited into the Capital Subaccount up to the Required Capital Level) shall be allocated to the General Subaccount. All references to the Collection Account shall be deemed to include reference to all subaccounts contained therein. Withdrawals from and deposits to each of the foregoing subaccounts of the Collection Account shall be made as set forth in Section 8.02(d) and Section 8.02(e). The Collection Account shall at all times be maintained in an Eligible Account and will be under the sole dominion and exclusive control of the Indenture Trustee, through the Securities Intermediary, and only the Indenture Trustee shall have access to the Collection Account for the purpose of making deposits in and withdrawals from the Collection Account in accordance with this Indenture. Funds in the Collection Account shall not be commingled with any other moneys. All moneys deposited from time to time in the Collection Account, all deposits therein pursuant to this Indenture and all investments made in Eligible Investments as directed in writing by the Issuer with such moneys, including all income or other gain from such investments, shall be held by the Securities Intermediary in the Collection Account as part of the Nuclear Asset-Recovery Bond Collateral as herein provided. The Securities Intermediary shall have no liability in respect of losses incurred as a result of the liquidation of any Eligible Investment prior to its stated maturity or its date of redemption or the failure of the Issuer or the Servicer to provide timely written investment direction.

(b) The Securities Intermediary hereby confirms that (i) the Collection Account is, or at inception will be established as, a "securities account" as such term is defined in Section 8-501(a) of the UCC, (ii) it is a "securities intermediary" (as such term is defined in Section 8-102(a)(14) of the UCC) and is acting in such capacity with respect to such accounts, (iii) the Indenture Trustee for the benefit of the Secured Parties is the sole "entitlement holder" (as such term is defined in Section 8-102(a)(7) of the UCC) with respect to such accounts and (iv) no other Person shall have the right to give "entitlement orders" (as such term is defined in Section 8-102(a)(8)) with respect to such accounts. The Securities Intermediary hereby further agrees that each item of property (whether investment property, financial asset, security, instrument or cash) received by it will be credited to the Collection Account and shall be treated by it as a "financial asset" within the meaning of Section 8-102(a)(9) of the UCC. Notwithstanding anything to the contrary, the State of New York shall be deemed to be the jurisdiction of the Securities Intermediary for purposes of Section 8-110 of the UCC, and the Collection Account (as well as the securities entitlements related thereto) shall be governed by the laws of the State of New York.

(c) The Indenture Trustee shall have sole dominion and exclusive control over all moneys in the Collection Account through the Securities Intermediary and shall apply such amounts therein as provided in this Section 8.02.

(d) Nuclear Asset-Recovery Charge Collections shall be deposited in the General Subaccount as provided in Section 6.11 of the Servicing Agreement. All deposits to and withdrawals from the Collection Account, all allocations to the subaccounts of the Collection Account and any amounts to be paid to the Servicer under Section 8.02(e) shall be made by the Indenture Trustee in accordance with the written instructions provided by the Servicer in the Monthly Servicer's Certificate or the Semi-Annual Servicer's Certificate.

(e) On each Payment Date, the Indenture Trustee shall apply all amounts on deposit in the Collection Account, including all Investment Earnings thereon, in accordance with the Semi-Annual Servicer's Certificate, in the following priority:

(i) payment of the Indenture Trustee's fees, expenses and outstanding indemnity amounts shall be paid to the Indenture Trustee (subject to Section 6.07) in an amount not to exceed the amount set forth in the Series Supplement;

(ii) payment of the Servicing Fee with respect to such Payment Date, plus any unpaid Servicing Fees for prior Payment Dates shall be paid to the Servicer;

(iii) payment of the Administration Fee for such Payment Date shall be paid to the Administrator and the Independent Manager Fee for such Payment Date shall be paid to the Independent Managers, and in each case with any unpaid Administration Fees or Independent Manager Fees from prior Payment Dates;

(iv) payment of all other ordinary periodic Operating Expenses for such Payment Date not described above shall be paid to the parties to which such Operating Expenses are owed;

(v) payment of Periodic Interest for such Payment Date, including any overdue Periodic Interest (together with, to the extent lawful, interest on such overdue Periodic Interest at the applicable Bond Interest Rate), with respect to the Nuclear Asset-Recovery Bonds shall be paid to the Holders of Nuclear Asset-Recovery Bonds;

(vi) payment of the principal required to be paid on the Nuclear Asset-Recovery Bonds on the Final Maturity Date or as a result of an acceleration upon an Event of Default shall be paid to the Holders of Nuclear Asset-Recovery Bonds;

(vii) payment of Periodic Principal for such Payment Date, including any previously unpaid Periodic Principal, with respect to the Nuclear Asset-Recovery Bonds shall be paid to the Holders of Nuclear Asset-Recovery Bonds, pro rata if there is a deficiency;

(viii) payment of any other unpaid Operating Expenses (including any such amounts owed to the Indenture Trustee but unpaid due to the limitation in Section 8.02(e)(i) and any remaining amounts owed pursuant to the Basic Documents shall be paid to the parties to which such Operating Expenses or remaining amounts are owed;

(ix) replenishment of the amount, if any, by which the Required Capital Level exceeds the amount in the Capital Subaccount as of such Payment Date shall be allocated to the Capital Subaccount;

(x) the Return on Invested Capital then due and payable shall be paid to Duke Energy Florida;

(xi) the balance, if any, shall be allocated to the Excess Funds Subaccount; and

(xii) after the Nuclear Asset-Recovery Bonds have been paid in full and discharged, and all of the other foregoing amounts are paid in full, together with all amounts due and payable to the Indenture Trustee under Section 6.07 or otherwise, the balance (including all amounts then held in the Capital Subaccount and the Excess Funds Subaccount), if any, shall be paid to the Issuer, free from the Lien of this Indenture and the Series Supplement.

All payments to the Holders of the Nuclear Asset-Recovery Bonds pursuant to Section 8.02(e)(v), Section 8.02(e)(vi) and Section 8.02(e)(vii) shall be made to such Holders pro rata based on the respective amounts of interest and/or principal owed, unless, in the case of Nuclear Asset-Recovery Bonds comprised of two or more Tranches, the Series Supplement provides otherwise. Payments in respect of principal of and premium, if any, and interest on any Tranche of Nuclear Asset-Recovery Bonds will be made on a pro rata basis among all the

Holders of such Tranche. In the case of an Event of Default, then, in accordance with Section 5.04(c), in respect of any application of moneys pursuant to Section 8.02(e)(v) or Section 8.02(e)(vi), moneys will be applied pursuant to Section 8.02(e)(v) and Section 8.02(e)(vi), as the case may be, in such order, on a pro rata basis, based upon the interest or the principal owed.

(f) If on any Payment Date, or, for any amounts payable under Section 8.02(e)(i), Section 8.02(e)(ii), Section 8.02(e)(iii) and Section 8.02(e)(iv), on any Business Day, funds on deposit in the General Subaccount are insufficient to make the payments contemplated by Section 8.02(e)(i), Section 8.02(e)(ii), Section 8.02(e)(iii), Section 8.02(e)(iv), Section 8.02(e)(v), Section 8.02(e)(vi), Section 8.02(e)(vii) and Section 8.02(e)(viii), the Indenture Trustee shall (i) first, draw from amounts on deposit in the Excess Funds Subaccount, and (ii) second, draw from amounts on deposit in the Capital Subaccount, in each case, up to the amount of such shortfall in order to make the payments contemplated by Section 8.02(e)(i), Section 8.02(e)(ii), Section 8.02(e)(iii), Section 8.02(e)(iv), Section 8.02(e)(v), Section 8.02(e)(vi), Section 8.02(e)(vii) and Section 8.02(e)(viii). In addition, if on any Payment Date funds on deposit in the General Subaccount are insufficient to make the allocations contemplated by Section 8.02(e)(ix), the Indenture Trustee shall draw any amounts on deposit in the Excess Funds Subaccount to make such allocations to the Capital Subaccount.

(g) On any Business Day upon which the Indenture Trustee receives a written request from the Administrator stating that any Operating Expense payable by the Issuer (but only as described in Section 8.02(e)(i), Section 8.02(e)(ii), Section 8.02(e)(iii) and Section 8.02(e)(iv)) will become due and payable prior to the next Payment Date, and setting forth the amount and nature of such Operating Expense, as well as any supporting documentation that the Indenture Trustee may reasonably request, the Indenture Trustee, upon receipt of such information, will make payment of such Operating Expenses on or before the date such payment is due from amounts on deposit in the General Subaccount, the Excess Funds Subaccount and the Capital Subaccount, in that order and only to the extent required to make such payment.

SECTION 8.03. General Provisions Regarding the Collection Account.

(a) So long as no Default or Event of Default shall have occurred and be continuing, all or a portion of the funds in the Collection Account shall be invested in Eligible Investments and reinvested by the Indenture Trustee upon Issuer Order; provided, however, that such Eligible Investments shall not mature or be redeemed later than the Business Day prior to the next Payment Date or Special Payment Date, if applicable, for the Nuclear Asset-Recovery Bonds. All income or other gain from investments of moneys deposited in the Collection Account shall be deposited by the Indenture Trustee in the Collection Account, and any loss resulting from such investments shall be charged to the Collection Account. The Issuer will not direct the Indenture Trustee to make any investment of any funds or to sell any investment held in the Collection Account unless the security interest Granted and perfected in such account will continue to be perfected in such investment or the proceeds of such sale, in either case without any further action by any Person, and, in connection with any direction to the Indenture Trustee

to make any such investment or sale, if requested by the Indenture Trustee, the Issuer shall deliver to the Indenture Trustee an Opinion of Counsel of external counsel of the Issuer (at the Issuer's cost and expense) to such effect. In no event shall the Indenture Trustee be liable for the selection of Eligible Investments or for investment losses incurred thereon. The Indenture Trustee shall have no liability in respect of losses incurred as a result of the liquidation of any Eligible Investment prior to its stated maturity or its date of redemption or the failure of the Issuer or the Servicer to provide timely written investment direction. The Indenture Trustee shall have no obligation to invest or reinvest any amounts held hereunder in the absence of written investment direction pursuant to an Issuer Order.

(b) Subject to Section 6.01(c), the Indenture Trustee shall not in any way be held liable by reason of any insufficiency in the Collection Account resulting from any loss on any Eligible Investment included therein except for losses attributable to the Indenture Trustee's failure to make payments on such Eligible Investments issued by the Indenture Trustee, in its commercial capacity as principal obligor and not as trustee, in accordance with their terms.

(c) If (i) the Issuer shall have failed to give written investment directions for any funds on deposit in the Collection Account to the Indenture Trustee by 11:00 a.m. New York City time (or such other time as may be agreed by the Issuer and Indenture Trustee) on any Business Day or (ii) a Default or Event of Default shall have occurred and be continuing with respect to the Nuclear Asset-Recovery Bonds but the Nuclear Asset-Recovery Bonds shall not have been declared due and payable pursuant to Section 5.02, then the Indenture Trustee shall, to the fullest extent practicable, invest and reinvest funds in such Collection Account in Eligible Investments specified in the most recent written investment directions delivered by the Issuer to the Indenture Trustee; provided, that if the Issuer has never delivered written investment directions to the Indenture Trustee, the Indenture Trustee shall not invest or reinvest such funds in any investments.

(d) The parties hereto acknowledge that the Servicer may, pursuant to the Servicing Agreement, select Eligible Investments on behalf of the Issuer.

(e) Except as otherwise provided hereunder or agreed in writing among the parties hereto, the Issuer shall retain the authority to institute, participate and join in any plan of reorganization, readjustment, merger or consolidation with respect to the issuer of any Eligible Investments held hereunder, and, in general, to exercise each and every other power or right with respect to each such asset or investment as Persons generally have and enjoy with respect to their own assets and investment, including power to vote upon any Eligible Investments.

SECTION 8.04. Release of Nuclear Asset-Recovery Bond Collateral.

(a) So long as the Issuer is not in default hereunder and no Default hereunder would occur as a result of such action, the Issuer, through the Servicer, may collect, sell or otherwise dispose of written-off receivables, at any time and from time to time in the ordinary course of business, without any notice to, or release or consent by, the Indenture Trustee, but only as and to the extent permitted by the Basic Documents; provided, however, that any and all

proceeds of such dispositions shall become Nuclear Asset-Recovery Bond Collateral and be deposited to the General Subaccount immediately upon receipt thereof by the Issuer or any other Person, including the Servicer. Without limiting the foregoing, the Servicer, may, at any time and from time to time without any notice to, or release or consent by, the Indenture Trustee, sell or otherwise dispose of any Nuclear Asset-Recovery Bond Collateral previously written-off as a defaulted or uncollectible account in accordance with the terms of the Servicing Agreement and the requirements of the proviso in the preceding sentence.

(b) The Indenture Trustee may, and when required by the provisions of this Indenture shall, execute instruments to release property from the Lien of this Indenture, or convey the Indenture Trustee's interest in the same, in a manner and under circumstances that are not inconsistent with the provisions of this Indenture. No party relying upon an instrument executed by the Indenture Trustee as provided in this Article VIII shall be bound to ascertain the Indenture Trustee's authority, inquire into the satisfaction of any conditions precedent or see to the application of any moneys. The Indenture Trustee shall release property from the Lien of this Indenture pursuant to this Section 8.04(b) only upon receipt of an Issuer Request accompanied by an Officer's Certificate, an Opinion of Counsel of external counsel of the Issuer (at the Issuer's cost and expense) and (if required by the Trust Indenture Act) Independent Certificates in accordance with Section 314(c) of the Trust Indenture Act and Section 314(d)(1) of the Trust Indenture Act meeting the applicable requirements of Section 10.01.

(c) The Indenture Trustee shall, at such time as there are no Nuclear Asset-Recovery Bonds Outstanding and all sums payable to the Indenture Trustee pursuant to Section 6.07 or otherwise have been paid, release any remaining portion of the Nuclear Asset-Recovery Bond Collateral that secured the Nuclear Asset-Recovery Bonds from the Lien of this Indenture and release to the Issuer or any other Person entitled thereto any funds or investments then on deposit in or credited to the Collection Account.

SECTION 8.05. Opinion of Counsel. The Indenture Trustee shall receive at least seven days' notice when requested by the Issuer to take any action pursuant to Section 8.04, accompanied by copies of any instruments involved, and the Indenture Trustee shall also require, as a condition to such action, an Opinion of Counsel of external counsel of the Issuer, in form and substance satisfactory to the Indenture Trustee, stating the legal effect of any such action, outlining the steps required to complete the same, and concluding that all conditions precedent to the taking of such action have been complied with and such action will not materially and adversely impair the security for the Nuclear Asset-Recovery Bonds or the rights of the Holders in contravention of the provisions of this Indenture and the Series Supplement; provided, however, that such Opinion of Counsel shall not be required to express an opinion as to the fair value of the Nuclear Asset-Recovery Bond Collateral. Counsel rendering any such opinion may rely, without independent investigation, on the accuracy and validity of any certificate or other instrument delivered to the Indenture Trustee in connection with any such action.

SECTION 8.06. Reports by Independent Registered Public Accountants. As of the Closing Date, the Issuer shall appoint a firm of Independent registered public accountants of recognized national reputation for purposes of preparing and delivering the reports or certificates

of such accountants required by this Indenture and the Series Supplement. In the event such firm requires the Indenture Trustee to agree to the procedures performed by such firm, the Issuer shall direct the Indenture Trustee in writing to so agree, it being understood and agreed that the Indenture Trustee will deliver such letter of agreement in conclusive reliance upon the direction of the Issuer, and the Indenture Trustee makes no independent inquiry or investigation to, and shall have no obligation or liability in respect of, the sufficiency, validity or correctness of such procedures. Upon any resignation by, or termination by the Issuer of, such firm, the Issuer shall provide written notice thereof to the Indenture Trustee and shall promptly appoint a successor thereto that shall also be a firm of Independent registered public accountants of recognized national reputation. If the Issuer shall fail to appoint a successor to a firm of Independent registered public accountants that has resigned or been terminated within 15 days after such resignation or termination, the Indenture Trustee shall promptly notify the Issuer of such failure in writing. If the Issuer shall not have appointed a successor within ten days thereafter, the Indenture Trustee shall promptly appoint a successor firm of Independent registered public accountants of recognized national reputation; provided, that the Indenture Trustee shall have no liability with respect to such appointment. The fees of such Independent registered public accountants and its successor shall be payable by the Issuer.

ARTICLE IX

SUPPLEMENTAL INDENTURES

SECTION 9.01. Supplemental Indentures Without Consent of Holders.

(a) Without the consent of the Holders of any Nuclear Asset-Recovery Bonds but with prior notice to the Rating Agencies, the Issuer and the Indenture Trustee, when authorized by an Issuer Order, at any time and from time to time, may enter into one or more indentures supplemental hereto (which shall conform to the provisions of the Trust Indenture Act as in force at the date of the execution thereof), in form satisfactory to the Indenture Trustee, for any of the following purposes:

(i) to correct or amplify the description of any property, including the Nuclear Asset-Recovery Bond Collateral, at any time subject to the Lien of this Indenture, or better to assure, convey and confirm unto the Indenture Trustee any property subject or required to be subjected to the Lien of this Indenture and the Series Supplement, or to subject to the Lien of this Indenture and the Series Supplement additional property;

(ii) to evidence the succession, in compliance with the applicable provisions hereof, of another Person to the Issuer, and the assumption by any such successor of the covenants of the Issuer herein and in the Nuclear Asset-Recovery Bonds;

(iii) to add to the covenants of the Issuer, for the benefit of the Secured Parties, or to surrender any right or power herein conferred upon the Issuer;

(iv) to convey, transfer, assign, mortgage or pledge any property to or with the Indenture Trustee;

(v) to cure any ambiguity, to correct or supplement any provision herein or in any supplemental indenture, including the Series Supplement, that may be inconsistent with any other provision herein or in any supplemental indenture, including the Series Supplement, or to make any other provisions with respect to matters or questions arising under this Indenture or in any supplemental indenture; provided, that (A) such action shall not, as evidenced by an Opinion of Counsel of external counsel of the Issuer, adversely affect in any material respect the interests of the Holders of the Nuclear Asset-Recovery Bonds and (B) the Rating Agency Condition shall have been satisfied with respect thereto;

(vi) to evidence and provide for the acceptance of the appointment hereunder by a successor trustee with respect to the Nuclear Asset-Recovery Bonds and to add to or change any of the provisions of this Indenture as shall be necessary to facilitate the administration of the trusts hereunder by more than one trustee, pursuant to the requirements of Article VI;

(vii) to modify, eliminate or add to the provisions of this Indenture to such extent as shall be necessary to effect the qualification of this Indenture under the Trust Indenture Act and to add to this Indenture such other provisions as may be expressly required by the Trust Indenture Act;

(viii) to evidence the final terms of the Nuclear Asset-Recovery Bonds in the Series Supplement;

(ix) to qualify the Nuclear Asset-Recovery Bonds for registration with a Clearing Agency; or

(x) to satisfy any Rating Agency requirements.

The Indenture Trustee is hereby authorized to join in the execution of any such supplemental indenture and to make any further appropriate agreements and stipulations that may be therein contained.

(b) The Issuer and the Indenture Trustee, when authorized by an Issuer Order, may, also without the consent of any of the Holders of the Nuclear Asset-Recovery Bonds, enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, this Indenture or of modifying in any manner the rights of the Holders of the Nuclear Asset-Recovery Bonds under this Indenture; provided, however, that (i) such action shall not, as evidenced by an Opinion of Counsel of nationally recognized counsel of the Issuer experienced in structured finance transactions, adversely affect in any material respect the interests of the Holders and (ii) the Rating Agency Condition shall have been satisfied with respect thereto.

SECTION 9.02. Supplemental Indentures with Consent of Holders. The Issuer and the Indenture Trustee, when authorized by an Issuer Order, also may, with prior notice to the Rating Agencies and with the consent of the Holders of a majority of the Outstanding Amount of the Nuclear Asset-Recovery Bonds of each Tranche to be affected, by Act of such Holders delivered to the Issuer and the Indenture Trustee, enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, this Indenture or of modifying in any manner the rights of the Holders of the Nuclear Asset-Recovery Bonds under this Indenture; provided, however, that no such supplemental indenture shall, without the consent of the Holder of each Outstanding Nuclear Asset-Recovery Bond of each Tranche affected thereby:

(i) change the date of payment of any installment of principal of or premium, if any, or interest on any Nuclear Asset-Recovery Bond of such Tranche, or reduce the principal amount thereof, the interest rate thereon or premium, if any, with respect thereto;

(ii) change the provisions of this Indenture and the Series Supplement relating to the application of collections on, or the proceeds of the sale of, the Nuclear Asset-Recovery Bond Collateral to payment of principal of or premium, if any, or interest on the Nuclear Asset-Recovery Bonds, or change any place of payment where, or the coin or currency in which, any Nuclear Asset-Recovery Bond or the interest thereon is payable;

(iii) reduce the percentage of the Outstanding Amount of the Nuclear Asset-Recovery Bonds or of a Tranche thereof, the consent of the Holders of which is required for any such supplemental indenture, or the consent of the Holders of which is required for any waiver of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences provided for in this Indenture;

(iv) reduce the percentage of the Outstanding Amount of the Nuclear Asset-Recovery Bonds or Tranche thereof required to direct the Indenture Trustee to direct the Issuer to sell or liquidate the Nuclear Asset-Recovery Bond Collateral pursuant to Section 5.04;

(v) modify any provision of this Section 9.02 or any provision of the other Basic Documents similarly specifying the rights of the Holders to consent to modification thereof, except to increase any percentage specified herein or to provide that those provisions of this Indenture or the other Basic Documents referenced in this Section 9.02 cannot be modified or waived without the consent of the Holder of each Outstanding Nuclear Asset-Recovery Bond affected thereby;

(vi) modify any of the provisions of this Indenture in such manner as to affect the calculation of the amount of any payment of interest, principal or premium, if any, due on any Nuclear Asset-Recovery Bond on any Payment Date (including the calculation of any of the individual components of such calculation) or change the

Expected Amortization Schedule or Final Maturity Date of any Tranche of Nuclear Asset-Recovery Bonds;

(vii) decrease the Required Capital Level;

(viii) permit the creation of any Lien ranking prior to or on a parity with the Lien of this Indenture with respect to any part of the Nuclear Asset-Recovery Bond Collateral or, except as otherwise permitted or contemplated herein, terminate the Lien of this Indenture on any property at any time subject hereto or deprive the Holder of any Nuclear Asset-Recovery Bond of the security provided by the Lien of this Indenture;

(ix) cause any material adverse U.S. federal income tax consequence to the Seller, the Issuer, the Managers, the Indenture Trustee or the then-existing Holders; or

(x) impair the right to institute suit for the enforcement of the provisions of this Indenture regarding payment or application of funds.

It shall not be necessary for any Act of Holders under this Section 9.02 to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

Promptly after the execution by the Issuer and the Indenture Trustee of any supplemental indenture pursuant to this Section 9.02, the Issuer shall mail to the Rating Agencies a copy of such supplemental indenture and to the Holders of the Nuclear Asset-Recovery Bonds to which such supplemental indenture relates either a copy of such supplemental indenture or a notice setting forth in general terms the substance of such supplemental indenture. Any failure of the Issuer to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

SECTION 9.03. Commission Condition. Notwithstanding anything to the contrary in this Section 9.01 or 9.02, no indenture or indentures supplemental to this Indenture, nor any waiver required by Section 5.12 hereof, shall be effective except upon satisfaction of the conditions precedent in this Section 9.03.

(a) At least 15 days prior to the effectiveness of any such Supplemental Indenture or other action and after obtaining the other necessary approvals set forth in Section 9.02 (except that the consent of the Indenture Trustee may be subject to the consent of the Holders if such consent is required or sought by the Indenture Trustee in connection with such Supplemental Indenture) or prior to the effectiveness of any waiver of a default approved by the Holders of a majority of the Outstanding Amount of Nuclear Asset-Recovery Bonds as provided in Section 5.12, the Servicer shall have delivered to the Commission's [executive director and general counsel] written notification of any proposed amendment, which notification shall contain:

(i) a reference to Docket No. [ ];

(ii) an Officer's Certificate stating that the proposed Supplemental Indenture has been approved by all parties to this Indenture or alternatively, the waiver of default has been approved by the Holders of a majority of the Outstanding Amount of Nuclear Asset-Recovery Bonds; and

(iii) a statement identifying the person to whom the Commission is to address any response to the proposed Supplemental Indenture or to request additional time.

(b) If the Commission or an authorized representative of the Commission, within 15 days (subject to extension as provided in Section 9.03(c)) of receiving a notification complying with Section 9.03(a), shall have delivered to the office of the person specified in Section 9.03(a)(iii) a written statement that the Commission might object to the proposed Supplemental Indenture, or to the waiver of default, then, subject to clause (d) below, such proposed amendment or modification, or the waiver of default, shall not be effective unless and until the Commission subsequently delivers a written statement that it does not object to such proposed Supplemental Indenture.

(c) If the Commission or an authorized representative of the Commission, within 15 days of receiving a notification complying with Section 9.03(a), shall have delivered to the office of the person specified in Section 9.03(a)(iii) a written statement requesting an additional amount of time not to exceed thirty days (or, in the case of a waiver of default, 15 days) in which to consider such proposed Supplemental Indenture, then such proposed Supplemental Indenture shall not be effective if, within such extended period, the Commission shall have delivered to the office of the person specified in clause (d) below a written statement as described in subparagraph (iii), unless and until the Commission subsequently delivers a written statement that it does not object to such proposed Supplemental Indenture.

(d) If (A) the Commission or an authorized representative of the Commission, shall not have delivered written notice that the Commission might object to such proposed Supplemental Indenture, or the waiver of default, within the time periods described in subparagraphs (iii) or (iii), whichever is applicable, or (B) the Commission or authorized representative of the Commission, has delivered such written notice but does not within 60 days of the delivery of the notification in (a) above, provide subsequent written notice confirming that it does in fact object and the reasons therefore or advise that it has initiated a proceeding to determine what action it might take with respect to the matter, then the Commission shall be conclusively deemed not to have any objection to the proposed amendment or modification or waiver of default, as the case may be, and such amendment or modification or waiver of default, as the case may be, may subsequently become effective upon satisfaction of the other conditions specified in Section 9.01 or 9.02.

(e) Following the delivery of a statement from the Commission or an authorized representative of the Commission to the Servicer under subparagraph (iii), the Servicer and the Issuer shall have the right at any time to withdraw from the Commission further consideration of any proposed Supplemental Indenture, modification or waiver of default.

(f) For the purpose of this Section 9.03, an "authorized representative of the Commission" means any person authorized to act on behalf of the Commission, as evidenced by an Opinion of Counsel (which may be the general counsel) to the Commission.

SECTION 9.04. Execution of Supplemental Indentures. In executing any supplemental indenture permitted by this Article IX or the modifications thereby of the trust created by this Indenture, the Indenture Trustee shall be fully protected in relying upon an Opinion of Counsel stating that the execution of such supplemental indenture is authorized and permitted by this Indenture and all conditions precedent, if any, provided for in this Indenture relating to such supplemental indenture or modification have been satisfied. The Indenture Trustee may, but shall not be obligated to, enter into any such supplemental indenture that affects the Indenture Trustee's own rights, duties, liabilities or immunities under this Indenture or otherwise. All fees and expenses in connection with any such supplemental indenture shall be paid by the requesting party.

SECTION 9.05. Effect of Supplemental Indenture. Upon the execution of any supplemental indenture pursuant to the provisions hereof, this Indenture shall be and be deemed to be modified and amended in accordance therewith with respect to each Tranche of Nuclear Asset-Recovery Bonds affected thereby, and the respective rights, limitations of rights, obligations, duties, liabilities and immunities under this Indenture of the Indenture Trustee, the Issuer and the Holders shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such supplemental indenture shall be and be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

SECTION 9.06. Conformity with Trust Indenture Act. Every amendment of this Indenture and every supplemental indenture executed pursuant to this Article IX shall conform to the requirements of the Trust Indenture Act as then in effect so long as this Indenture shall then be qualified under the Trust Indenture Act.

SECTION 9.07. Reference in Nuclear Asset-Recovery Bonds to Supplemental Indentures. Nuclear Asset-Recovery Bonds authenticated and delivered after the execution of any supplemental indenture pursuant to this Article IX may, and if required by the Indenture Trustee shall, bear a notation in form approved by the Indenture Trustee as to any matter provided for in such supplemental indenture. If the Issuer or the Indenture Trustee shall so determine, new Nuclear Asset-Recovery Bonds so modified as to conform, in the opinion of the Indenture Trustee and the Issuer, to any such supplemental indenture may be prepared and executed by the Issuer and authenticated and delivered by the Indenture Trustee in exchange for Outstanding Nuclear Asset-Recovery Bonds.

ARTICLE X

MISCELLANEOUS

SECTION 10.01. Compliance Certificates and Opinions, etc.

(a) Upon any application or request by the Issuer to the Indenture Trustee to take any action under any provision of this Indenture, the Issuer shall furnish to the Indenture Trustee (i) an Officer's Certificate stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with, (ii) an Opinion of Counsel stating that in the opinion of such counsel the amendment is authorized and permitted and all such conditions precedent, if any, have been complied with and (iii) (if required by the Trust Indenture Act) an Independent Certificate from a firm of registered public accountants meeting the applicable requirements of this Section 10.01, except that, in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Indenture, no additional certificate or opinion need be furnished.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include:

(i) a statement that each signatory of such certificate or opinion has read or has caused to be read such covenant or condition and the definitions herein relating thereto;

(ii) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(iii) a statement that, in the opinion of each such signatory, such signatory has made such examination or investigation as is necessary to enable such signatory to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(iv) a statement as to whether, in the opinion of each such signatory, such condition or covenant has been complied with.

(b) Prior to the deposit of any Nuclear Asset-Recovery Bond Collateral or other property or securities with the Indenture Trustee that is to be made the basis for the release of any property or securities subject to the Lien of this Indenture, the Issuer shall, in addition to any obligation imposed in Section 10.01(a) or elsewhere in this Indenture, furnish to the Indenture Trustee an Officer's Certificate certifying or stating the opinion of each person signing such certificate as to the fair value (within 90 days of such deposit) to the Issuer of the Nuclear Asset-Recovery Bond Collateral or other property or securities to be so deposited.

(c) Whenever the Issuer is required to furnish to the Indenture Trustee an Officer's Certificate certifying or stating the opinion of any signer thereof as to the matters

described in Section 10.01(b), the Issuer shall also deliver to the Indenture Trustee an Independent Certificate as to the same matters, if the fair value to the Issuer of the securities to be so deposited and of all other such securities made the basis of any such withdrawal or release since the commencement of the then-current fiscal year of the Issuer, as set forth in the certificates delivered pursuant to Section 10.01(b) and this Section 10.01(c), is ten percent or more of the Outstanding Amount of the Nuclear Asset-Recovery Bonds, but such a certificate need not be furnished with respect to any securities so deposited, if the fair value thereof to the Issuer as set forth in the related Officer's Certificate is less than the lesser of (A) $25,000 or (B) one percent of the Outstanding Amount of the Nuclear Asset-Recovery Bonds.

(d) Whenever any property or securities are to be released from the Lien of this Indenture other than pursuant to Section 8.02(e), the Issuer shall also furnish to the Indenture Trustee an Officer's Certificate certifying or stating the opinion of each person signing such certificate as to the fair value (within 90 days of such release) of the property or securities proposed to be released and stating that in the opinion of such person the proposed release will not impair the security under this Indenture in contravention of the provisions hereof.

(e) Whenever the Issuer is required to furnish to the Indenture Trustee an Officer's Certificate certifying or stating the opinion of any signatory thereof as to the matters described in Section 10.01(d), the Issuer shall also furnish to the Indenture Trustee an Independent Certificate as to the same matters if the fair value of the property or securities with respect thereto, or securities released from the Lien of this Indenture (other than pursuant to Section 8.02(e)) since the commencement of the then-current calendar year, as set forth in the certificates required by Section 10.01(d) and this Section 10.01(e), equals 10 percent or more of the Outstanding Amount of the Nuclear Asset-Recovery Bonds, but such certificate need not be furnished in the case of any release of property or securities if the fair value thereof as set forth in the related Officer's Certificate is less than the lesser of (A) $25,000 or (B) one percent of the then Outstanding Amount of the Nuclear Asset-Recovery Bonds.

(f) Notwithstanding any other provision of this Section 10.01, the Indenture Trustee may (A) collect, liquidate, sell or otherwise dispose of the Nuclear Asset-Recovery Property and the other Nuclear Asset-Recovery Bond Collateral as and to the extent permitted or required by the Basic Documents and (B) make cash payments out of the Collection Account as and to the extent permitted or required by the Basic Documents.

SECTION 10.02. Form of Documents Delivered to Indenture Trustee. In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of a Responsible Officer of the Issuer may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by,

counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his or her certificate or opinion is based are erroneous. Any such certificate of a Responsible Officer or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Servicer or the Issuer stating that the information with respect to such factual matters is in the possession of the Servicer or the Issuer, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Whenever in this Indenture, in connection with any application or certificate or report to the Indenture Trustee, it is provided that the Issuer shall deliver any document as a condition of the granting of such application, or as evidence of the Issuer's compliance with any term hereof, it is intended that the truth and accuracy, at the time of the granting of such application or at the effective date of such certificate or report (as the case may be), of the facts and opinions stated in such document shall in such case be conditions precedent to the right of the Issuer to have such application granted or to the sufficiency of such certificate or report. The foregoing shall not, however, be construed to affect the Indenture Trustee's right to rely conclusively upon the truth and accuracy of any statement or opinion contained in any such document as provided in Article VI.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

SECTION 10.03. Acts of Holders.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by agents duly appointed in writing, and except as herein otherwise expressly provided such action shall become effective when such instrument or instruments are delivered to the Indenture Trustee and, where it is hereby expressly required, to the Issuer. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and (subject to Section 6.01) conclusive in favor of the Indenture Trustee and the Issuer, if made in the manner provided in this Section 10.03.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved in any manner that the Indenture Trustee deems sufficient.

(c) The ownership of Nuclear Asset-Recovery Bonds shall be proved by the Nuclear Asset-Recovery Bond Register.

(d) Any request, demand, authorization, direction, notice, consent, waiver or other action by the Holder of any Nuclear Asset-Recovery Bonds shall bind the Holder of every Nuclear Asset-Recovery Bond issued upon the registration thereof or in exchange therefor or in lieu thereof, in respect of anything done, omitted or suffered to be done by the Indenture Trustee or the Issuer in reliance thereon, whether or not notation of such action is made upon such Nuclear Asset-Recovery Bond.

SECTION 10.04. Notices, etc., to Indenture Trustee, Issuer and Rating Agencies. Any notice, report or other communication given hereunder shall be in writing and shall be effective (i) upon receipt when sent through the mails, registered or certified mail, return receipt requested, postage prepaid, with such receipt to be effective the date of delivery indicated on the return receipt, (ii) upon receipt when sent by an overnight courier, (iii) on the date personally delivered to an authorized officer of the party to which sent or (iv) on the date transmitted by facsimile or other electronic transmission with a confirmation of receipt in all cases, addressed as follows:

(a) in the case of the Issuer, to DEF SPE LLC at [299 First Avenue North, St. Petersburg, Florida 33701], Attention: [ ], Telephone: [ ], Facsimile: [ ] in care of (c/o): [ ];

(b) in the case of the Indenture Trustee, to the Corporate Trust Office;

(c) [in the case of Fitch, to Fitch Ratings, 33 Whitehall Street, New York, New York 10004, Attention: ABS Surveillance, Telephone: (212) 908-0500, Facsimile: (212) 908-0355;]

(d) in the case of Moody's, to Moody's Investors Service, Inc., ABS/RMBS Monitoring Department, 25th Floor, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007, Email: servicerreports@moodys.com (all such notices to be delivered to Moody's in writing by email);

(e) in the case of S&P, to Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business, Structured Credit Surveillance, 55 Water Street, New York, New York 10041, Telephone: (212) 438-8991, Email: servicer_reports@standardandpoors.com (all such notices to be delivered to S&P in writing by email); and

(f) in the case of the Commission, Florida Public Services Commission, 2450 Shumard Oak Blvd., Tallahassee, Florida, 32399-0850, Attention: [Executive Director and General Counsel].

Each party hereto may, by notice given in accordance herewith to the other party or parties hereto, designate any further or different address to which subsequent notices, reports and other communications shall be sent.

SECTION 10.05. Notices to Holders; Waiver. Where this Indenture provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class, postage prepaid to each Holder affected by such event, at such Holder's address as it appears on the Nuclear Asset-Recovery Bond Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice. In any case where notice to Holders is given by mail, neither the failure to mail such notice nor any defect in any notice so mailed to any particular Holder shall affect the sufficiency of such notice with respect to other Holders, and any notice that is mailed in the manner herein provided shall conclusively be presumed to have been duly given.

Where this Indenture provides for notice in any manner, such notice may be waived in writing by any Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Indenture Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such a waiver.

In case, by reason of the suspension of regular mail service as a result of a strike, work stoppage or similar activity, it shall be impractical to mail notice of any event of Holders when such notice is required to be given pursuant to any provision of this Indenture, then any manner of giving such notice as shall be satisfactory to the Indenture Trustee shall be deemed to be a sufficient giving of such notice.

Where this Indenture provides for notice to the Rating Agencies, failure to give such notice shall not affect any other rights or obligations created hereunder and shall not under any circumstance constitute a Default or Event of Default.

SECTION 10.06. Conflict with Trust Indenture Act. If any provision hereof limits, qualifies or conflicts with another provision hereof that is required to be included in this Indenture by any of the provisions of the Trust Indenture Act, such required provision shall control.

The provisions of Sections 310 through 317 of the Trust Indenture Act that impose duties on any Person (including the provisions automatically deemed included herein unless expressly excluded by this Indenture) are a part of and govern this Indenture, whether or not physically contained herein.

SECTION 10.07. Successors and Assigns. All covenants and agreements in this Indenture and the Nuclear Asset-Recovery Bonds by the Issuer shall bind its successors and assigns, whether so expressed or not. All agreements of the Indenture Trustee in this Indenture shall bind its successors.

SECTION 10.08. Severability. Any provision in this Indenture or in the Nuclear Asset-Recovery Bonds that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remainder of such provision (if any) or the remaining provisions hereof (unless

such construction shall be unreasonable), and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

SECTION 10.09. Benefits of Indenture. Nothing in this Indenture or in the Nuclear Asset-Recovery Bonds, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, and the Holders, and any other party secured hereunder, and any other Person with an ownership interest in any part of the Nuclear Asset-Recovery Bond Collateral, any benefit or any legal or equitable right, remedy or claim under this Indenture.

SECTION 10.10. Legal Holidays. In any case where the date on which any payment is due shall not be a Business Day, then (notwithstanding any other provision of the Nuclear Asset-Recovery Bonds or this Indenture) payment need not be made on such date, but may be made on the next Business Day with the same force and effect as if made on the date on which nominally due, and no interest shall accrue for the period from and after any such nominal date.

SECTION 10.11. GOVERNING LAW. **This Indenture shall be governed by and construed in accordance with the laws of the State of New York, without reference to its conflict of law provisions (other than Section 5-1401 of the New York General Obligations Law and Sections 9-301 through 9-306 of the NY UCC), and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with such laws; provided, that the creation, attachment and perfection of any Liens created hereunder in Nuclear Asset-Recovery Property, and all rights and remedies of the Indenture Trustee and the Holders with respect to the Nuclear Asset-Recovery Property, shall be governed by the laws of the State of Florida.**

SECTION 10.12. Counterparts. This Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

SECTION 10.13. Recording of Indenture. If this Indenture is subject to recording in any appropriate public recording offices, such recording is to be effected by the Issuer and at its expense accompanied by an Opinion of Counsel at the Issuer's cost and expense (which may be counsel to the Indenture Trustee or any other counsel reasonably acceptable to the Indenture Trustee or, if requested by the Indenture Trustee, external counsel of the Issuer) to the effect that such recording is necessary either for the protection of the Holders or any other Person secured hereunder or for the enforcement of any right or remedy granted to the Indenture Trustee under this Indenture.

SECTION 10.14. No Recourse to Issuer. No recourse may be taken, directly or indirectly, with respect to the obligations of the Issuer or the Indenture Trustee on the Nuclear Asset-Recovery Bonds or under this Indenture or any certificate or other writing delivered in connection herewith or therewith, against (a) any owner of a membership interest in the Issuer (including Duke Energy Florida) or (b) any shareholder, partner, owner, beneficiary, agent,

officer or employee of the Indenture Trustee, the Managers or any owner of a membership interest in the Issuer (including Duke Energy Florida) in its respective individual capacity, or of any successor or assign of any of them in their respective individual or corporate capacities, except as any such Person may have expressly agreed in writing. Notwithstanding any provision of this Indenture or the Series Supplement to the contrary, Holders shall look only to the Nuclear Asset-Recovery Bond Collateral with respect to any amounts due to the Holders hereunder and under the Nuclear Asset-Recovery Bonds and, in the event such Nuclear Asset-Recovery Bond Collateral is insufficient to pay in full the amounts owed on the Nuclear Asset-Recovery Bonds, shall have no recourse against the Issuer in respect of such insufficiency. Each Holder by accepting a Nuclear Asset-Recovery Bond specifically confirms the nonrecourse nature of these obligations and waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Nuclear Asset-Recovery Bonds.

SECTION 10.15. Basic Documents. The Indenture Trustee is hereby authorized to execute and deliver the Servicing Agreement and to execute and deliver any other Basic Document that it is requested to acknowledge, including, upon receipt of an Issuer Request, the Intercreditor Agreement, so long as the Intercreditor Agreement is substantially in the form of the Intercreditor Agreement dated as of the Closing Date and does not materially and adversely affect any Holder's rights in and to any Nuclear Asset-Recovery Bond Collateral or otherwise hereunder. Such request shall be accompanied by an Opinion of Counsel of external counsel of the Issuer, upon which the Indenture Trustee may rely conclusively with no duty of independent investigation or inquiry, to the effect that all conditions precedent for the execution of the Intercreditor Agreement have been satisfied. The Intercreditor Agreement shall be binding on the Holders.

SECTION 10.16. No Petition. The Indenture Trustee, by entering into this Indenture, and each Holder, by accepting a Nuclear Asset-Recovery Bond (or interest therein) issued hereunder, hereby covenant and agree that they shall not, prior to the date that is one year and one day after the termination of this Indenture, acquiesce, petition or otherwise invoke or cause the Issuer or any Manager to invoke the process of any court or government authority for the purpose of commencing or sustaining a case against the Issuer under any bankruptcy or insolvency law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of the Issuer or any substantial part of its property, or ordering the dissolution, winding up or liquidation of the affairs of the Issuer. Nothing in this Section 10.16 shall preclude, or be deemed to estop, such Holder or the Indenture Trustee (a) from taking or omitting to take any action prior to such date in (i) any case or proceeding voluntarily filed or commenced by or on behalf of the Issuer under or pursuant to any such law or (ii) any involuntary case or proceeding pertaining to the Issuer that is filed or commenced by or on behalf of a Person other than such Holder and is not joined in by such Holder (or any Person to which such Holder shall have assigned, transferred or otherwise conveyed any part of the obligations of the Issuer hereunder) under or pursuant to any such law or (b) from commencing or prosecuting any legal action that is not an involuntary case or proceeding under or pursuant to any such law against the Issuer or any of its properties.

SECTION 10.17. Securities Intermediary. The Securities Intermediary, in acting under this Indenture, is entitled to all rights, benefits, protections, immunities and indemnities accorded to The Bank of New York Mellon, a New York banking corporation, in its capacity as Indenture Trustee under this Indenture.

SECTION 10.18. Rule 17g-5 Compliance.

(a) The Indenture Trustee agrees that any notice, report, request for satisfaction of the Rating Agency Condition, document or other information provided by the Indenture Trustee to any Rating Agency under this Indenture or any other Basic Document to which it is a party for the purpose of determining or confirming the credit rating of the Nuclear Asset-Recovery Bonds or undertaking credit rating surveillance of the Nuclear Asset-Recovery Bonds shall be provided, substantially concurrently, to the Servicer for posting on a password-protected website (the "17g-5 Website"). The Servicer shall be responsible for posting all of the information on the 17g-5 Website.

(b) The Indenture Trustee will not be responsible for creating or maintaining the 17g-5 Website, posting any information to the 17g-5 Website or assuring that the 17g-5 Website complies with the requirements of this Indenture, Rule 17g-5 under the Exchange Act or any other law or regulation. In no event shall the Indenture Trustee be deemed to make any representation in respect of the content of the 17g-5 Website or compliance by the 17g-5 Website with this Indenture, Rule 17g-5 under the Exchange Act or any other law or regulation. The Indenture Trustee shall have no obligation to engage in or respond to any oral communications with respect to the transactions contemplated hereby, any transaction documents relating hereto or in any way relating to the Nuclear Asset-Recovery Bonds or for the purposes of determining the initial credit rating of the Nuclear Asset-Recovery Bonds or undertaking credit rating surveillance of the Nuclear Asset-Recovery Bonds with any Rating Agency or any of its respective officers, directors or employees. The Indenture Trustee shall not be responsible or liable for the dissemination of any identification numbers or passwords for the 17g-5 Website, including by the Servicer, the Rating Agencies, a nationally recognized statistical rating organization ("NRSRO"), any of their respective agents or any other party. Additionally, the Indenture Trustee shall not be liable for the use of the information posted on the 17g-5 Website, whether by the Servicer, the Rating Agencies, an NRSRO or any other third party that may gain access to the 17g-5 Website or the information posted thereon.

SECTION 10.19. Submission to Non-Exclusive Jurisdiction; Waiver of Jury Trial. **Each of the Issuer and the Indenture Trustee hereby irrevocably submits to the non-exclusive jurisdiction of any New York State court sitting in The Borough of Manhattan in The City of New York or any U.S. federal court sitting in The Borough of Manhattan in The City of New York in respect of any suit, action or proceeding arising out of or relating to this Indenture and the Nuclear Asset-Recovery Bonds and irrevocably accepts for itself and in respect of its respective property, generally and unconditionally, jurisdiction of the aforesaid courts. Each of the Issuer and the Indenture Trustee irrevocably waives, to the fullest extent that it may effectively do so under applicable law, trial by jury.**

SECTION 10.20. Certain Tax Laws. In order to comply with applicable tax laws, rules and regulations (inclusive of directives, guidelines and interpretations promulgated by competent authorities) in effect from time to time to which a foreign financial institution, issuer, trustee, paying agent, holder or other institution is or has agreed to be subject related to the Basic Documents, the Issuer agrees (a) to provide to the Indenture Trustee sufficient information about Holders or other applicable parties and/or transactions (including any modification to the terms of such transactions) so as to enable the Indenture Trustee to determine whether it has tax-related obligations under such applicable tax laws, rules and regulations (inclusive of directives, guidelines and interpretations promulgated by competent authorities) and (b) that the Indenture Trustee shall be entitled to make any withholding or deduction from payments under the Basic Documents to the extent necessary to comply with such applicable tax laws, rules and regulations (inclusive of directives, guidelines and interpretations promulgated by competent authorities) for which the Indenture Trustee shall not have any liability.

{SIGNATURE PAGE FOLLOWS}

IN WITNESS WHEREOF, the Issuer, the Indenture Trustee and the Securities Intermediary have caused this Indenture to be duly executed by their respective officers thereunto duly authorized and duly attested, all as of the day and year first above written.

[DEF SPE] LLC,
as Issuer

By: _____
Name: [ ]
Title: [ ]

THE BANK OF NEW YORK MELLON,
as Indenture Trustee and as Securities Intermediary

By: _____
Name: [ ]
Title: [ ]

STATE OF FLORIDA)
ss.
COUNTY OF PINELLAS)

The foregoing instrument was acknowledged before me this ____ day of [, 20], by [ ], [ ] of [DEF SPE] LLC, a Delaware limited liability company, on behalf of the company.

_____
_____, Notary Public
{Seal} State of Florida, County of Pinellas
My Commission Expires: _____
Acting in the County of Pinellas

STATE OF NEW YORK)
ss.
COUNTY OF NEW YORK)

The foregoing instrument was acknowledged before me this ____ day of [, 20], by [ ], [ ] of THE BANK OF NEW YORK MELLON, as Indenture Trustee and Securities Intermediary, a New York banking corporation, on behalf of the bank.

_____

_____, Notary Public,
State of New York
No. _____
Qualified in New York County
Certificate Filed in New York County
Commission Expires _____

EXHIBIT A

FORM OF NUCLEAR ASSET-RECOVERY BOND

See attached.

UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR SECURITIES IN DEFINITIVE REGISTERED FORM, THIS SECURITY MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO THE NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY. UNLESS THIS SECURITY IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION, TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY SECURITY ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON OR ENTITY IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

No. {_____} ${_____}
Tranche {__} CUSIP No.: {_____}

THE PRINCIPAL OF THIS TRANCHE {__} SENIOR SECURED NUCLEAR ASSET-RECOVERY BOND, SERIES 20[ ]A (THIS "NUCLEAR ASSET-RECOVERY BOND") WILL BE PAID IN INSTALLMENTS AS SET FORTH HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL AMOUNT OF THIS NUCLEAR ASSET-RECOVERY BOND AT ANY TIME MAY BE LESS THAN THE AMOUNT SHOWN ABOVE. THE HOLDER OF THIS NUCLEAR ASSET-RECOVERY BOND HAS NO RECOURSE TO THE ISSUER HEREOF AND AGREES TO LOOK ONLY TO THE NUCLEAR ASSET-RECOVERY BOND COLLATERAL, AS DESCRIBED IN THE INDENTURE, FOR PAYMENT OF ANY AMOUNTS DUE HEREUNDER. ALL OBLIGATIONS OF THE ISSUER OF THIS NUCLEAR ASSET-RECOVERY BOND UNDER THE TERMS OF THE INDENTURE WILL BE RELEASED AND DISCHARGED UPON PAYMENT IN FULL HEREOF OR AS OTHERWISE PROVIDED IN SECTION 3.10(b) OR ARTICLE IV OF THE INDENTURE. THE HOLDER OF THIS NUCLEAR ASSET-RECOVERY BOND HEREBY COVENANTS AND AGREES THAT PRIOR TO THE DATE THAT IS ONE YEAR AND ONE DAY AFTER THE PAYMENT IN FULL OF THIS NUCLEAR ASSET-RECOVERY BOND, IT WILL NOT INSTITUTE AGAINST, OR JOIN ANY OTHER PERSON IN INSTITUTING AGAINST, THE ISSUER ANY BANKRUPTCY, REORGANIZATION, ARRANGEMENT, INSOLVENCY OR LIQUIDATION PROCEEDINGS OR OTHER SIMILAR PROCEEDING UNDER THE LAWS OF THE UNITED STATES OR ANY STATE OF THE UNITED STATES. NOTHING IN THIS PARAGRAPH SHALL PRECLUDE, OR BE DEEMED TO ESTOP, SUCH HOLDER (A) FROM TAKING OR OMITTING TO TAKE ANY ACTION PRIOR TO SUCH DATE IN (I) ANY CASE OR PROCEEDING VOLUNTARILY FILED OR COMMENCED BY OR ON BEHALF OF THE ISSUER UNDER OR PURSUANT TO ANY SUCH LAW OR (II) ANY INVOLUNTARY CASE OR PROCEEDING PERTAINING TO

THE ISSUER THAT IS FILED OR COMMENCED BY OR ON BEHALF OF A PERSON OTHER THAN SUCH HOLDER AND IS NOT JOINED IN BY SUCH HOLDER (OR ANY PERSON TO WHICH SUCH HOLDER SHALL HAVE ASSIGNED, TRANSFERRED OR OTHERWISE CONVEYED ANY PART OF THE OBLIGATIONS OF THE ISSUER HEREUNDER) UNDER OR PURSUANT TO ANY SUCH LAW OR (B) FROM COMMENCING OR PROSECUTING ANY LEGAL ACTION THAT IS NOT AN INVOLUNTARY CASE OR PROCEEDING UNDER OR PURSUANT TO ANY SUCH LAW AGAINST THE ISSUER OR ANY OF ITS PROPERTIES.

[DEF SPE] LLC
SENIOR SECURED NUCLEAR ASSET-RECOVERY BONDS, SERIES 20[ ]A, TRANCHE {__}

BOND INTEREST RATE	ORIGINAL PRINCIPAL AMOUNT	FINAL MATURITY DATE
{____}%	${_____}	{_____}, 20{__}
{____}%	${_____}	{_____}, 20{__}
{____}%	${_____}	{_____}, 20{__}

[DEF SPE] LLC, a limited liability company created under the laws of the State of Delaware (herein referred to as the "Issuer"), for value received, hereby promises to pay to {_____}, or registered assigns, the Original Principal Amount shown above in semi-annual installments on the Payment Dates and in the amounts specified below or, if less, the amounts determined pursuant to Section 8.02 of the Indenture, in each year, commencing on the date determined as provided below and ending on or before the Final Maturity Date shown above and to pay interest, at the Bond Interest Rate shown above, on each {_____} and {_____} or, if any such day is not a Business Day, the next Business Day, commencing on {_____}, 20{__} and continuing until the earlier of the payment in full of the principal hereof and the Final Maturity Date (each, a "Payment Date"), on the principal amount of this Nuclear Asset-Recovery Bond. Interest on this Nuclear Asset-Recovery Bond will accrue for each Payment Date from the most recent Payment Date on which interest has been paid to but excluding such Payment Date or, if no interest has yet been paid, from the date of issuance. Interest will be computed on the basis of {_____}. Such principal of and interest on this Nuclear Asset-Recovery Bond shall be paid in the manner specified below.

The principal of and interest on this Nuclear Asset-Recovery Bond are payable in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. All payments made by the Issuer with respect to this Nuclear Asset-Recovery Bond shall be applied first to interest due and payable on this Nuclear Asset-Recovery Bond as provided above and then to the unpaid principal of and premium, if any, on this Nuclear Asset-Recovery Bond, all in the manner set forth in the Indenture.

Unless the certificate of authentication hereon has been executed by the Indenture Trustee whose name appears below by manual signature, this Nuclear Asset-Recovery Bond shall not be entitled to any benefit under the Indenture referred to below or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Issuer has caused this instrument to be signed, manually or in facsimile, by its Responsible Officer.

Date: {_____}, 20{__}

[DEF SPE] LLC,
as Issuer

By: _____
Name: [ ]
Title: [ ]

INDENTURE TRUSTEE'S
CERTIFICATE OF AUTHENTICATION

Dated: {_____}, 20{__}

This is one of the Tranche {__} Senior Secured Nuclear Asset-Recovery Bonds, Series 20[ ]A, designated above and referred to in the within-mentioned Indenture.

THE BANK OF NEW YORK MELLON,
as Indenture Trustee

By: _____
Name: [ ]
Title: [ ]

This Senior Secured Nuclear Asset-Recovery Bond, Series 20[ ]A is one of a duly authorized issue of Senior Secured Nuclear Asset-Recovery Bonds, Series 20[ ]A of the Issuer (herein called the "Bonds"), which Bonds are issuable in one or more Tranches. The Bonds consist of {__} Tranches, including the Tranche {__} Senior Secured Nuclear Asset-Recovery Bonds, Series 20[ ]A, which include this Senior Secured Nuclear Asset-Recovery Bond, Series 20[ ]A (herein called the "Nuclear Asset-Recovery Bonds"), all issued and to be issued under that certain Indenture dated as of [, 20] (as supplemented by the Series Supplement (as defined below), the "Indenture"), between the Issuer and The Bank of New York Mellon, in its capacity as indenture trustee (the "Indenture Trustee", which term includes any successor indenture trustee under the Indenture) and in its separate capacity as a securities intermediary (the "Securities Intermediary", which term includes any successor securities intermediary under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights and obligations thereunder of the Issuer, the Indenture Trustee and the Holders of the Bonds. For purposes herein, "Series Supplement" means that certain Series Supplement dated as of [, 20] between the Issuer and the Indenture Trustee. All terms used in this Nuclear Asset-Recovery Bond that are defined in the Indenture, as amended, restated, supplemented or otherwise modified from time to time, shall have the meanings assigned to such terms in the Indenture.

All Tranches of Bonds are and will be equally and ratably secured by the Nuclear Asset-Recovery Bond Collateral pledged as security therefor as provided in the Indenture.

The principal of this Nuclear Asset-Recovery Bond shall be payable on each Payment Date only to the extent that amounts in the Collection Account are available therefor, and only until the outstanding principal balance thereof on the preceding Payment Date (after giving effect to all payments of principal, if any, made on the preceding Payment Date) has been reduced to the principal balance specified in the Expected Amortization Schedule that is attached to the Series Supplement as Schedule A, unless payable earlier because an Event of Default shall have occurred and be continuing and the Indenture Trustee or the Holders representing a majority of the Outstanding Amount of the Bonds have declared the Bonds to be immediately due and payable in accordance with Section 5.02 of the Indenture (unless such declaration shall have been rescinded and annulled in accordance with Section 5.02 of the Indenture). However, actual principal payments may be made in lesser than expected amounts and at later than expected times as determined pursuant to Section 8.02 of the Indenture. The entire unpaid principal amount of this Nuclear Asset-Recovery Bond shall be due and payable on the Final Maturity Date hereof. Notwithstanding the foregoing, the entire unpaid principal amount of the Bonds shall be due and payable, if not then previously paid, on the date on which an Event of Default shall have occurred and be continuing and the Indenture Trustee or the Holders of the Bonds representing a majority of the Outstanding Amount of the Bonds have declared the Nuclear Asset-Recovery Bonds to be immediately due and payable in the manner provided in Section 5.02 of the Indenture (unless such declaration shall have been rescinded and annulled in accordance with Section 5.02 of the Indenture). All principal payments on the Nuclear Asset-Recovery Bonds shall be made pro rata to the Holders of the Nuclear Asset-Recovery Bonds entitled thereto based on the respective principal amounts of the Nuclear Asset-Recovery Bonds held by them.

Payments of interest on this Nuclear Asset-Recovery Bond due and payable on each Payment Date, together with the installment of principal or premium, if any, shall be made by check mailed first-class, postage prepaid, to the Person whose name appears as the Registered Holder of this Nuclear Asset-Recovery Bond (or one or more Predecessor Nuclear Asset-Recovery Bonds) on the Nuclear Asset-Recovery Bond Register as of the close of business on the Record Date or in such other manner as may be provided in the Indenture or the Series Supplement, except that (a) upon application to the Indenture Trustee by any Holder owning a Global Nuclear Asset-Recovery Bond evidencing this Nuclear Asset-Recovery Bond in the principal amount of $10,000,000 or more not later than the applicable Record Date, payment will be made by wire transfer to an account maintained by such Holder, and (b) if this Nuclear Asset-Recovery Bond is held in Book-Entry Form, payments will be made by wire transfer in immediately available funds to the account designated by the Holder of the applicable Global Nuclear Asset-Recovery Bond evidencing this Nuclear Asset-Recovery Bond unless and until such Global Nuclear Asset-Recovery Bond is exchanged for Definitive Nuclear Asset-Recovery Bonds (in which event payments shall be made as provided above) and except for the final installment of principal and premium, if any, payable with respect to this Nuclear Asset-Recovery Bond on a Payment Date, which shall be payable as provided below. Such checks shall be mailed to the Person entitled thereto at the address of such Person as it appears on the Nuclear Asset-Recovery Bond Register as of the applicable Record Date without requiring that this Nuclear Asset-Recovery Bond be submitted for notation of payment. Any reduction in the principal amount of this Nuclear Asset-Recovery Bond (or any one or more Predecessor Nuclear Asset-Recovery Bonds) effected by any payments made on any Payment Date shall be binding upon all future Holders of this Nuclear Asset-Recovery Bond and of any Nuclear Asset-Recovery Bond issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof, whether or not noted hereon. If funds are expected to be available, as provided in the Indenture, for payment in full of the then-remaining unpaid principal amount of this Nuclear Asset-Recovery Bond on a Payment Date, then the Indenture Trustee, in the name of and on behalf of the Issuer, will notify the Person who was the Registered Holder hereof as of the Record Date preceding such Payment Date by notice mailed no later than five days prior to such final Payment Date and shall specify that such final installment will be payable only upon presentation and surrender of this Nuclear Asset-Recovery Bond and shall specify the place where this Nuclear Asset-Recovery Bond may be presented and surrendered for payment of such installment.

The Issuer shall pay interest on overdue installments of interest at the Bond Interest Rate to the extent lawful.

This Nuclear Asset-Recovery Bond is a "nuclear asset-recovery bond" as such term is defined in the Nuclear Asset-Recovery Law. Principal and interest due and payable on this Nuclear Asset-Recovery Bond are payable from and secured primarily by Nuclear Asset-Recovery Property created and established by the Financing Order obtained from the Florida Public Service Commission pursuant to the Nuclear Asset-Recovery Law. Nuclear Asset-Recovery Property consists of the rights and interests of the Seller in the Financing Order, including the right to impose, bill, collect and receive Nuclear Asset-Recovery Charges, the right to obtain True-Up Adjustments and all revenue, collections, claims, rights to payments,

payments, moneys and proceeds arising out of the rights and interests created under the Financing Order.

Under the laws of the State of Florida in effect on the Closing Date, pursuant to Section 366.95(11) of the Nuclear Asset-Recovery Law, the State of Florida has pledged to agree and work with the Holders, the Indenture Trustee, other Financing Parties that the State of Florida will not (a) alter the provisions of Section 366.95(11) of the Nuclear Asset-Recovery Law which make the Nuclear Asset-Recovery Charges imposed by the Financing Order irrevocable, binding, and nonbypassable charges; (b) take or permit any action that impairs or would impair the value of Nuclear Asset-Recovery Property or revises the Nuclear Asset-Recovery Costs for which recovery is authorized; (c) or except as authorized under the Nuclear Asset-Recovery Law, reduce, alter, or impair Nuclear Asset-Recovery Charges that are to be imposed, collected, and remitted for the benefit of the Holders, the Indenture Trustee and other Financing Parties until any and all principal, interest, premium, Financing Costs and other fees, expenses, or charges incurred, and any contracts to be performed, in connection with the related Nuclear Asset-Recovery Bonds have been paid and performed in full.

The Issuer and Duke Energy Florida hereby acknowledge that the purchase of this Nuclear Asset-Recovery Bond by the Holder hereof or the purchase of any beneficial interest herein by any Person are made in reliance on the foregoing pledge.

As provided in the Indenture and subject to certain limitations set forth therein, the transfer of this Nuclear Asset-Recovery Bond may be registered on the Nuclear Asset-Recovery Bond Register upon surrender of this Nuclear Asset-Recovery Bond for registration of transfer at the office or agency designated by the Issuer pursuant to the Indenture, duly endorsed by, or accompanied by, (a) a written instrument of transfer in form satisfactory to the Indenture Trustee duly executed by the Holder hereof or such Holder's attorney duly authorized in writing, with such signature guaranteed by: (i) The Securities Transfer Agent Medallion Program (STAMP); (ii) The New York Stock Exchange Medallion Program (MSP); (iii) The Stock Exchange Medallion Program (SEMP); or (iv) such other signature guaranty program acceptable to the Indenture Trustee, and (b) such other documents as the Indenture Trustee may require, and thereupon one or more new Nuclear Asset-Recovery Bonds of Authorized Denominations and in the same aggregate principal amount will be issued to the designated transferee or transferees. No service charge will be charged for any registration of transfer or exchange of this Nuclear Asset-Recovery Bond, but the transferor may be required to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any such registration of transfer or exchange, other than exchanges pursuant to Section 2.04 or Section 2.06 of the Indenture not involving any transfer.

Each Holder, by acceptance of a Nuclear Asset-Recovery Bond, covenants and agrees that no recourse may be taken, directly or indirectly, with respect to the obligations of the Issuer or the Indenture Trustee on the Nuclear Asset-Recovery Bonds or under the Indenture or any certificate or other writing delivered in connection therewith, against (a) any owner of a membership interest in the Issuer (including Duke Energy Florida) or (b) any shareholder, partner, owner, beneficiary, agent, officer or employee of the Indenture Trustee, the Managers or

any owner of a membership interest in the Issuer (including Duke Energy Florida) in its respective individual or corporate capacities, or of any successor or assign of any of them in their individual or corporate capacities, except as any such Person may have expressly agreed in writing. Each Holder by accepting a Nuclear Asset-Recovery Bond specifically confirms the nonrecourse nature of these obligations and waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Nuclear Asset-Recovery Bonds.

Prior to the due presentment for registration of transfer of this Nuclear Asset-Recovery Bond, the Issuer, the Indenture Trustee and any agent of the Issuer or the Indenture Trustee may treat the Person in whose name this Nuclear Asset-Recovery Bond is registered (as of the day of determination) as the owner hereof for the purpose of receiving payments of principal of and premium, if any, and interest on this Nuclear Asset-Recovery Bond and for all other purposes whatsoever, whether or not this Nuclear Asset-Recovery Bond be overdue, and none of the Issuer, the Indenture Trustee or any such agent shall be affected by notice to the contrary.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Issuer and the rights of the Holders of the Nuclear Asset-Recovery Bonds under the Indenture at any time by the Issuer with the consent of the Holders representing a majority of the Outstanding Amount of all Nuclear Asset-Recovery Bonds at the time outstanding of each Tranche to be affected and upon the satisfaction of the Rating Agency Condition and Commission Condition. The Indenture also contains provisions permitting the Holders representing specified percentages of the Outstanding Amount of the Nuclear Asset-Recovery Bonds, on behalf of the Holders of all the Nuclear Asset-Recovery Bonds, with the consent of the Commission, to waive compliance by the Issuer with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Nuclear Asset-Recovery Bond (or any one of more Predecessor Nuclear Asset-Recovery Bonds) shall be conclusive and binding upon such Holder and upon all future Holders of this Nuclear Asset-Recovery Bond and of any Nuclear Asset-Recovery Bond issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof whether or not notation of such consent or waiver is made upon this Nuclear Asset-Recovery Bond. The Indenture also permits the Indenture Trustee to amend or waive certain terms and conditions set forth in the Indenture without the consent of Holders of the Nuclear Asset-Recovery Bonds issued thereunder, but with the satisfaction of the Commission Condition.

The Indenture contains provisions for defeasance at any time of (a) the entire indebtedness of the Issuer on this Nuclear Asset-Recovery Bond and (b) certain restrictive covenants and the related Events of Default, upon compliance by the Issuer with certain conditions set forth in the Indenture, which provisions apply to this Nuclear Asset-Recovery Bond.

The term "Issuer" as used in this Nuclear Asset-Recovery Bond includes any successor to the Issuer under the Indenture.

The Issuer is permitted by the Indenture, under certain circumstances, to merge or consolidate, subject to the rights of the Indenture Trustee and the Holders under the Indenture.

The Nuclear Asset-Recovery Bonds are issuable only in registered form in denominations as provided in the Indenture and the Series Supplement subject to certain limitations therein set forth.

This Nuclear Asset-Recovery Bond, the Indenture and the Series Supplement shall be construed in accordance with the laws of the State of New York, without reference to its conflict of law provisions (other than Section 5-1401 of the New York General Obligations Law and Sections 9-301 through 9-306 of the NY UCC), and the obligations, rights and remedies of the parties hereunder and thereunder shall be determined in accordance with such laws; provided, that the creation, attachment and perfection of any Liens created under the Indenture in Nuclear Asset-Recovery Property, and all rights and remedies of the Indenture Trustee and the Holders with respect to the Nuclear Asset-Recovery Property, shall be governed by the laws of the State of Florida.

No reference herein to the Indenture and no provision of this Nuclear Asset-Recovery Bond or of the Indenture shall alter or impair the obligation, which is absolute and unconditional, to pay the principal of and interest on this Nuclear Asset-Recovery Bond at the times, place and rate and in the coin or currency herein prescribed.

The Issuer and the Indenture Trustee, by entering into the Indenture, and the Holders and any Persons holding a beneficial interest in any Nuclear Asset-Recovery Bond, by acquiring any Nuclear Asset-Recovery Bond or interest therein, (a) express their intention that, solely for the purpose of U.S. federal taxes and, to the extent consistent with applicable state, local and other tax law, solely for the purpose of state, local and other taxes, the Nuclear Asset-Recovery Bonds qualify under applicable tax law as indebtedness of the sole owner of the Issuer secured by the Nuclear Asset-Recovery Bond Collateral and (b) solely for purposes of U.S. federal taxes and, to the extent consistent with applicable state, local and other tax law, solely for purposes of state, local and other taxes, so long as any of the Nuclear Asset-Recovery Bonds are outstanding, agree to treat the Nuclear Asset-Recovery Bonds as indebtedness of the sole owner of the Issuer secured by the Nuclear Asset-Recovery Bond Collateral unless otherwise required by appropriate taxing authorities.

ABBREVIATIONS

The following abbreviations, when used above on this Nuclear Asset-Recovery Bond, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM	as tenants in common
TEN ENT	as tenants by the entireties
JT TEN	as joint tenants with right of survivorship and not as tenants in common
UNIF GIFT MIN ACT	_____ Custodian _____ (Custodian) (minor) Under Uniform Gifts to Minor Act (_____) (State)

Additional abbreviations may also be used though not in the above list.

ASSIGNMENT

Social Security or taxpayer I.D. or other identifying number of assignee _____

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

---

(name and address of assignee)

the within Nuclear Asset-Recovery Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____, attorney, to transfer said Nuclear Asset-Recovery Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

_____
Signature Guaranteed:

_____

The signature to this assignment must correspond with the name of the registered owner as it appears on the within Nuclear Asset-Recovery Bond in every particular, without alteration, enlargement or any change whatsoever.

NOTE: Signature(s) must be guaranteed by an institution that is a member of: (i) The Securities Transfer Agent Medallion Program (STAMP); (ii) The New York Stock Exchange Medallion Program (MSP); (iii) the Stock Exchange Medallion Program (SEMP); or (iv) such other signature guaranty program acceptable to the Indenture Trustee.

EXHIBIT B

FORM OF SERIES SUPPLEMENT

See attached.

This SERIES SUPPLEMENT, dated as of [, 20] (this "Supplement"), is by and between [DEF SPE] LLC, a limited liability company created under the laws of the State of Delaware (the "Issuer"), and The Bank of New York Mellon, a New York banking corporation ("Bank"), in its capacity as indenture trustee (the "Indenture Trustee") for the benefit of the Secured Parties under the Indenture dated as of [, 20], by and between the Issuer and The Bank of New York Mellon, in its capacity as Indenture Trustee and in its separate capacity as a securities intermediary (the "Indenture").

PRELIMINARY STATEMENT

Section 9.01 of the Indenture provides, among other things, that the Issuer and the Indenture Trustee may at any time enter into an indenture supplemental to the Indenture for the purposes of authorizing the issuance by the Issuer of the Nuclear Asset-Recovery Bonds and specifying the terms thereof. The Issuer has duly authorized the creation of the Nuclear Asset-Recovery Bonds with an initial aggregate principal amount of ${_____} to be known as Senior Secured Nuclear Asset-Recovery Bonds, Series 20[ ]A (the "Nuclear Asset-Recovery Bonds"), and the Issuer and the Indenture Trustee are executing and delivering this Supplement in order to provide for the Nuclear Asset-Recovery Bonds.

All terms used in this Supplement that are defined in the Indenture, either directly or by reference therein, have the meanings assigned to them therein, except to the extent such terms are defined or modified in this Supplement or the context clearly requires otherwise. In the event that any term or provision contained herein shall conflict with or be inconsistent with any term or provision contained in the Indenture, the terms and provisions of this Supplement shall govern.

GRANTING CLAUSE

With respect to the Nuclear Asset-Recovery Bonds, the Issuer hereby Grants to the Indenture Trustee, as Indenture Trustee for the benefit of the Secured Parties of the Nuclear Asset-Recovery Bonds, all of the Issuer's right, title and interest (whether now owned or hereafter acquired or arising) in and to (a) the Nuclear Asset-Recovery Property created under and pursuant to the Financing Order and the Nuclear Asset-Recovery Law, and transferred by the Seller to the Issuer pursuant to the Sale Agreement (including, to the fullest extent permitted by law, the right to impose, bill, collect and receive the Nuclear Asset-Recovery Charges, the right to obtain periodic adjustments to the Nuclear Asset-Recovery Charges, and all revenue, collections, claims, rights to payments, payments, money and proceeds arising out of the rights and interests created under the Financing Order), (b) all Nuclear Asset-Recovery Charges related to the Nuclear Asset-Recovery Property, (c) the Sale Agreement and the Bill of Sale executed in connection therewith and all property and interests in property transferred under the Sale Agreement and the Bill of Sale with respect to the Nuclear Asset-Recovery Property and the Nuclear Asset-Recovery Bonds, (d) the Servicing Agreement, the Administration Agreement, the Intercreditor Agreement and any subservicing, agency, administration or collection agreements executed in connection therewith, to the extent related to the foregoing Nuclear Asset-Recovery Property and the Nuclear Asset-Recovery Bonds, (e) the Collection Account, all subaccounts

thereof and all amounts of cash, instruments, investment property or other assets on deposit therein or credited thereto from time to time and all financial assets and securities entitlements carried therein or credited thereto, (f) all rights to compel the Servicer to file for and obtain periodic adjustments to the Nuclear Asset-Recovery Charges in accordance with Section 366.95(2)(c)2.d. and Section 366.95(2)(c)4. of the Nuclear Asset-Recovery Law and the Financing Order, (g) all present and future claims, demands, causes and choses in action in respect of any or all of the foregoing, whether such claims, demands, causes and choses in action constitute Nuclear Asset-Recovery Property, accounts, general intangibles, instruments, contract rights, chattel paper or proceeds of such items or any other form of property, (h) all accounts, chattel paper, deposit accounts, documents, general intangibles, goods, instruments, investment property, letters of credit, letters-of-credit rights, money, commercial tort claims and supporting obligations related to the foregoing, and (i) all payments on or under, and all proceeds in respect of, any or all of the foregoing, **it being understood that the following do not constitute Nuclear Asset-Recovery Bond Collateral**: (x) cash that has been released pursuant to the terms of the Indenture, including Section 8.02(e)(x) of the Indenture and, following retirement of all Outstanding Nuclear Asset-Recovery Bonds, pursuant to Section 8.02(e)(xii) of the Indenture and (y) amounts deposited with the Issuer on the Closing Date, for payment of costs of issuance with respect to the Nuclear Asset-Recovery Bonds (together with any interest earnings thereon), it being understood that such amounts described in clause (x) and clause (y) above shall not be subject to Section 3.17 of the Indenture.

The foregoing Grant is made in trust to secure the Secured Obligations equally and ratably without prejudice, priority or distinction, except as expressly provided in the Indenture, to secure compliance with the provisions of the Indenture with respect to the Nuclear Asset-Recovery Bonds, all as provided in the Indenture and to secure the performance by the Issuer of all of its obligations under the Indenture. The Indenture and this Supplement constitute a security agreement within the meaning of the Nuclear Asset-Recovery Law and under the UCC to the extent that the provisions of the UCC are applicable hereto.

The Indenture Trustee, as indenture trustee on behalf of the Secured Parties of the Nuclear Asset-Recovery Bonds, acknowledges such Grant and accepts the trusts under this Supplement and the Indenture in accordance with the provisions of this Supplement and the Indenture.

SECTION 1. Designation. The Nuclear Asset-Recovery Bonds shall be designated generally as the Nuclear Asset-Recovery Bonds{, and further denominated as Tranches {__} through {__}}.

SECTION 2. Initial Principal Amount; Bond Interest Rate; Scheduled Final Payment Date; Final Maturity Date. The Nuclear Asset-Recovery Bonds {of each Tranche} shall have the initial principal amount, bear interest at the rates per annum (the "Bond Interest Rate") and shall have the Scheduled Final Payment Dates and the Final Maturity Dates set forth below:

{Tranche}	Initial Principal Amount	Bond Interest Rate	Scheduled Final Payment Date	Final Maturity Date
{__}	${_____}	{____}%	{_____}, 20{__}	{_____}, 20{__}
{__}	${_____}	{____}%	{_____}, 20{__}	{_____}, 20{__}
{__}	${_____}	{____}%	{_____}, 20{__}	{_____}, 20{__}

The Bond Interest Rate shall be computed on the basis of a 360-day year of twelve 30-day months.

SECTION 3. Authentication Date; Payment Dates; Expected Amortization Schedule for Principal; Periodic Interest; Book-Entry Nuclear Asset-Recovery Bonds; Waterfall Caps.

(a) Authentication Date. The Nuclear Asset-Recovery Bonds that are authenticated and delivered by the Indenture Trustee to or upon the order of the Issuer on [, 20] (the "Closing Date") shall have as their date of authentication [, 20].

(b) Payment Dates. The "Payment Dates" for the Nuclear Asset-Recovery Bonds are {_____} and {_____} of each year or, if any such date is not a Business Day, the next Business Day, commencing on {_____}, 20{__} and continuing until the earlier of repayment of the Nuclear Asset-Recovery Bonds in full and the Final Maturity Date.

(c) Expected Amortization Schedule for Principal. Unless an Event of Default shall have occurred and be continuing, on each Payment Date, the Indenture Trustee shall distribute to the Holders of record as of the related Record Date amounts payable pursuant to Section 8.02(e) of the Indenture as principal, in the following order and priority: {(1) to the holders of the Tranche {__} Nuclear Asset-Recovery Bonds, until the Outstanding Amount of such Tranche of Nuclear Asset-Recovery Bonds thereof has been reduced to zero; (2) to the holders of the Tranche {__} Nuclear Asset-Recovery Bonds, until the Outstanding Amount of such Tranche of Nuclear Asset-Recovery Bonds thereof has been reduced to zero; and (3) to the holders of the Tranche {__} Nuclear Asset-Recovery Bonds, until the Outstanding Amount of such Tranche of Nuclear Asset-Recovery Bonds thereof has been reduced to zero; provided, however, that in no event shall a principal payment pursuant to this Section 3(c) on any Tranche on a Payment Date be greater than the amount necessary to reduce the Outstanding Amount of such Tranche of Nuclear Asset-Recovery Bonds to the amount specified in the Expected Amortization Schedule that is attached as Schedule A hereto for such Tranche and Payment Date}.

(d) Periodic Interest. "Periodic Interest" will be payable on {each Tranche of} the Nuclear Asset-Recovery Bonds on each Payment Date in an amount equal to one-half of the product of (i) the applicable Bond Interest Rate and (ii) the Outstanding Amount of the {related Tranche of} Nuclear Asset-Recovery Bonds as of the close of business on the preceding Payment Date after giving effect to all payments of principal made to the Holders of the {related

Tranche of} Nuclear Asset-Recovery Bonds on such preceding Payment Date; provided, however, that, with respect to the initial Payment Date, or if no payment has yet been made, interest on the outstanding principal balance will accrue from and including the Closing Date to, but excluding, the following Payment Date.

(e) Book-Entry Nuclear Asset-Recovery Bonds. The Nuclear Asset-Recovery Bonds shall be Book-Entry Nuclear Asset-Recovery Bonds, and the applicable provisions of Section 2.11 of the Indenture shall apply to the Nuclear Asset-Recovery Bonds.

(f) Waterfall Caps. The amount payable with respect to the Nuclear Asset-Recovery Bonds pursuant to Section 8.02(e)(i) of the Indenture shall not exceed ${_____} annually.

SECTION 4. Authorized Denominations. The Nuclear Asset-Recovery Bonds shall be issuable in denominations of {$100,000 and integral multiples of $1,000 in excess thereof} (the "Authorized Denominations").

SECTION 5. Delivery and Payment for the Nuclear Asset-Recovery Bonds; Form of the Nuclear Asset-Recovery Bonds. The Indenture Trustee shall deliver the Nuclear Asset-Recovery Bonds to the Issuer when authenticated in accordance with Section 2.03 of the Indenture. The Nuclear Asset-Recovery Bonds {of each Tranche} shall be in the form of Exhibit{s} {__} hereto.

SECTION 6. Ratification of Indenture. As supplemented by this Supplement, the Indenture is in all respects ratified and confirmed and the Indenture, as so supplemented by this Supplement, shall be read, taken and construed as one and the same instrument. This Supplement amends, modifies and supplements the Indenture only insofar as it relates to the Nuclear Asset-Recovery Bonds.

SECTION 7. Counterparts. This Supplement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all of such counterparts shall together constitute but one and the same instrument.

SECTION 8. Governing Law. **This Supplement shall be governed by and construed in accordance with the laws of the State of New York, without reference to its conflict of law provisions (other than Section 5-1401 of the New York General Obligations Law and Sections 9-301 through 9-306 of the NY UCC), and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with such laws; provided, that, except as set forth in Section 8.02(b) of the Indenture, the creation, attachment and perfection of any Liens created under the Indenture in Nuclear Asset-Recovery Property, and all rights and remedies of the Indenture Trustee and the Holders with respect to the Nuclear Asset-Recovery Property, shall be governed by the laws of the State of Florida.**

SECTION 9. Issuer Obligation. No recourse may be taken directly or indirectly by the Holders with respect to the obligations of the Issuer on the Nuclear Asset-Recovery Bonds, under the Indenture or this Supplement or any certificate or other writing delivered in connection herewith or therewith, against (a) any owner of a beneficial interest in the Issuer (including Duke Energy Florida) or (b) any shareholder, partner, owner, beneficiary, officer, director, employee or agent of the Indenture Trustee, the Managers or any owner of a beneficial interest in the Issuer (including Duke Energy Florida) in its individual capacity, or of any successor or assign of any of them in their respective individual or corporate capacities, except as any such Person may have expressly agreed. Each Holder by accepting a Nuclear Asset-Recovery Bond specifically confirms the nonrecourse nature of these obligations and waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Nuclear Asset-Recovery Bonds.

SECTION 10. Indenture Trustee Disclaimer. The Indenture Trustee is not responsible for the validity or sufficiency of this Supplement or for the recitals contained herein.

SECTION 11. Submission to Non-Exclusive Jurisdiction; Waiver of Jury Trial. **Each of the Issuer and the Indenture Trustee hereby irrevocably submits to the non-exclusive jurisdiction of any New York State court sitting in The Borough of Manhattan in The City of New York or any U.S. federal court sitting in The Borough of Manhattan in The City of New York in respect of any suit, action or proceeding arising out of or relating to this Supplement and the Nuclear Asset-Recovery Bonds and irrevocably accepts for itself and in respect of its respective property, generally and unconditionally, jurisdiction of the aforesaid courts. Each of the Issuer and the Indenture Trustee irrevocably waives, to the fullest extent that it may effectively do so under applicable law, trial by jury.**

IN WITNESS WHEREOF, the Issuer and the Indenture Trustee have caused this Supplement to be duly executed by their respective officers thereunto duly authorized as of the day and year first above written.

[DEF SPE] LLC,
as Issuer

By: _____
Name: [ ]
Title: [ ]

THE BANK OF NEW YORK MELLON,
as Indenture Trustee and as Securities Intermediary

By: _____
Name: [ ]
Title: [ ]

SCHEDULE A
TO SERIES SUPPLEMENT

EXPECTED AMORTIZATION SCHEDULE

OUTSTANDING PRINCIPAL BALANCE

Date	Tranche {__}	Tranche {__}	Tranche {__}
Closing Date	${_____}	${_____}	${_____}
{_____}, 20{__}	${_____}	${_____}	${_____}
{_____}, 20{__}	${_____}	${_____}	${_____}
{_____}, 20{__}	${_____}	${_____}	${_____}

EXHIBIT {__}
TO SERIES SUPPLEMENT

FORM OF {TRANCHE {__} OF} NUCLEAR ASSET-RECOVERY BONDS

{_____}

EXHIBIT C

SERVICING CRITERIA TO BE ADDRESSED BY INDENTURE TRUSTEE IN ASSESSMENT OF COMPLIANCE

Regulation AB Reference	Servicing Criteria	Applicable Indenture Trustee Responsibility
	General Servicing Considerations	
1122(d)(1)(i)	Policies and procedures are instituted to monitor any performance or other triggers and events of default in accordance with the transaction agreements.	
1122(d)(1)(ii)	If any material servicing activities are outsourced to third parties, policies and procedures are instituted to monitor the third party's performance and compliance with such servicing activities.	
1122(d)(1)(iii)	Any requirements in the transaction agreements to maintain a back-up servicer for the pool assets are maintained.	
1122(d)(1)(iv)	A fidelity bond and errors and omissions policy is in effect on the party participating in the servicing function throughout the reporting period in the amount of coverage required by and otherwise in accordance with the terms of the transaction agreements.	
1122(d)(1)(v)	Aggregation of information, as applicable, is mathematically accurate and the information conveyed accurately reflects the information.	
	Cash Collection and Administration	
1122(d)(2)(i)	Payments on pool assets are deposited into the appropriate custodial bank accounts and related bank clearing accounts no more than two business days following receipt, or such other number of days specified in the transaction agreements.	**X**
1122(d)(2)(ii)	Disbursements made via wire transfer on behalf of an obligor or to an investor are made only by authorized personnel.	**X**
1122(d)(2)(iii)	Advances of funds or guarantees regarding collections, cash flows or distributions, and any interest or other fees charged for such advances, are made, reviewed and approved as specified in the transaction agreements.	
1122(d)(2)(iv)	The related accounts for the transaction, such as cash reserve accounts or accounts established as a form of overcollateralization, are separately maintained (e.g., with respect to commingling of cash) as set forth in the transaction agreements.	**X**
1122(d)(2)(v)	Each custodial account is maintained at a federally insured depository institution as set forth in the transaction agreements. For purposes of this criterion, "federally insured depository institution" with respect to a foreign financial institution means a foreign financial institution that meets the requirements of Rule 13k-1(b)(1) under the Exchange Act.	**X**
1122(d)(2)(vi)	Unissued checks are safeguarded so as to prevent unauthorized access.	
1122(d)(2)(vii)	Reconciliations are prepared on a monthly basis for all asset-backed securities related bank accounts, including custodial accounts and related bank clearing accounts. These reconciliations are: (A) mathematically accurate; (B) prepared within 30 calendar days after the bank statement cutoff date, or such other number of days specified in the transaction agreements; (C) reviewed and approved by someone other than the person who prepared the reconciliation; and (D) contain explanations for reconciling items. These reconciling items are resolved within 90 calendar days of their original identification, or such other number of days specified in the transaction agreements.	
	Investor Remittances and Reporting	
1122(d)(3)(i)	Reports to investors, including those to be filed with the SEC, are maintained in accordance with the transaction agreements and applicable SEC requirements. Specifically, such reports: (A) are prepared in accordance with timeframes and other terms set forth in the transaction agreements; (B) provide information calculated in accordance with the terms specified in the transaction agreements; (C) are filed with the SEC as required by its rules and regulations; and (D) agree with investors' or the trustee's records as to the total unpaid principal balance and number of pool assets serviced by the servicer.	

Regulation AB Reference	Servicing Criteria	Applicable Indenture Trustee Responsibility
1122(d)(3)(ii)	Amounts due to investors are allocated and remitted in accordance with timeframes, distribution priority and other terms set forth in the transaction agreements.	**X**
1122(d)(3)(iii)	Disbursements made to an investor are posted within two business days to the servicer's investor records, or such other number of days specified in the transaction agreements.	**X**
1122(d)(3)(iv)	Amounts remitted to investors per the investor reports agree with cancelled checks, or other form of payment, or custodial bank statements.	**X**
	Pool Asset Administration	
1122(d)(4)(i)	Collateral or security on pool assets is maintained as required by the transaction agreements or related pool asset documents.	**X**
1122(d)(4)(ii)	Pool assets and related documents are safeguarded as required by the transaction agreements.	
1122(d)(4)(iii)	Any additions, removals or substitutions to the asset pool are made, reviewed and approved in accordance with any conditions or requirements in the transaction agreements.	
1122(d)(4)(iv)	Payments on pool assets, including any payoffs, made in accordance with the related pool asset documents are posted to the servicer's obligor records maintained no more than two business days after receipt, or such other number of days specified in the transaction agreements, and allocated to principal, interest or other items (e.g., escrow) in accordance with the related pool asset documents.	
1122(d)(4)(v)	The servicer's records regarding the pool assets agree with the servicer's records with respect to an obligor's unpaid principal balance.	
1122(d)(4)(vi)	Changes with respect to the terms or status of an obligor's pool assets (e.g., loan modifications or re-agings) are made, reviewed and approved by authorized personnel in accordance with the transaction agreements and related pool asset documents.	
1122(d)(4)(vii)	Loss mitigation or recovery actions (e.g., forbearance plans, modifications and deeds in lieu of foreclosure, foreclosures and repossessions, as applicable) are initiated, conducted and concluded in accordance with the timeframes or other requirements established by the transaction agreements.	
1122(d)(4)(viii)	Records documenting collection efforts are maintained during the period a pool asset is delinquent in accordance with the transaction agreements. Such records are maintained on at least a monthly basis, or such other period specified in the transaction agreements, and describe the entity's activities in monitoring delinquent pool assets, including, for example, phone calls, letters and payment rescheduling plans in cases where delinquency is deemed temporary (e.g., illness or unemployment).	
1122(d)(4)(ix)	Adjustments to interest rates or rates of return for pool assets with variable rates are computed based on the related pool asset documents.	
1122(d)(4)(x)	Regarding any funds held in trust for an obligor (such as escrow accounts): (A) such funds are analyzed, in accordance with the obligor's pool asset documents, on at least an annual basis, or such other period specified in the transaction agreements; (B) interest on such funds is paid, or credited, to obligors in accordance with applicable pool asset documents and state laws; and (C) such funds are returned to the obligor within 30 calendar days of full repayment of the related pool assets, or such other number of days specified in the transaction agreements.	
1122(d)(4)(xi)	Payments made on behalf of an obligor (such as tax or insurance payments) are made on or before the related penalty or expiration dates, as indicated on the appropriate bills or notices for such payments, provided that such support has been received by the servicer at least 30 calendar days prior to these dates, or such other number of days specified in the transaction agreements.	
1122(d)(4)(xii)	Any late payment penalties in connection with any payment to be made on behalf of an obligor are paid from the servicer's funds and not charged to the obligor, unless the late payment was due to the obligor's error or omission.	
1122(d)(4)(xiii)	Disbursements made on behalf of an obligor are posted within two business days to the obligor's records maintained by the servicer, or such other number of days specified in the transaction agreements.	
1122(d)(4)(xiv)	Delinquencies, charge-offs and uncollectible accounts are recognized and recorded in accordance with the transaction agreements.	

Regulation AB Reference	**Servicing Criteria**	**Applicable Indenture Trustee Responsibility**
1122(d)(4)(xv)	Any external enhancement or other support, identified in Item 1114(a)(1) through (3) or Item 1115 of Regulation AB, is maintained as set forth in the transaction agreements.	

APPENDIX A

DEFINITIONS AND RULES OF CONSTRUCTION

A. Defined Terms. The following terms have the following meanings:

"17g-5 Website" is defined in Section 10.18(a) of the Indenture.

"Account Records" is defined in Section 1(a)(i) of the Administration Agreement.

"Act" is defined in Section 10.03(a) of the Indenture.

"Administration Agreement" means the Administration Agreement, dated as of the Closing Date, by and between Duke Energy Florida and the Issuer.

"Administration Fee" is defined in Section 2 of the Administration Agreement.

"Administrator" means Duke Energy Florida, as Administrator under the Administration Agreement, or any successor Administrator to the extent permitted under the Administration Agreement.

"AES" means an alternative energy supplier which is authorized by law to sell electric service to a customer using the transmission or distribution system of Duke Energy Florida.

"Affiliate" means, with respect to any specified Person, any other Person controlling or controlled by or under common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such specified Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Amendatory Schedule" means a revision to service riders or any other notice filing filed with the Commission in respect of the Nuclear Asset-Recovery Rate Schedule pursuant to a True-Up Adjustment.

"Annual Accountant's Report" is defined in Section 3.04(a) of the Servicing Agreement.

"Authorized Denomination" means, with respect to any Nuclear Asset-Recovery Bond, the authorized denomination therefor specified in the Series Supplement, which shall be at least $100,000 and, except as otherwise provided in the Series Supplement, integral multiples of $1,000 in excess thereof.

"Bankruptcy Code" means Title 11 of the United States Code (11 U.S.C. §§ 101 et seq.).

"Basic Documents" means the Indenture, the Administration Agreement, the Sale Agreement, the Bill of Sale, the Certificate of Formation, the LLC Agreement, the Servicing Agreement, the Series Supplement, the Intercreditor Agreement, the Letter of Representations, the Underwriting Agreement and all other documents and certificates delivered in connection therewith.

"Bill of Sale" means a bill of sale substantially in the form of Exhibit A to the Sale Agreement delivered pursuant to Section 2.02(a) of the Sale Agreement.

"Billed Nuclear Asset-Recovery Charges" means the amounts of Nuclear Asset-Recovery Charges billed by the Servicer.

"Billing Period" means the period created by dividing the calendar year into 12 consecutive periods of approximately [21] Servicer Business Days.

"Bills" means each of the regular monthly bills, summary bills, opening bills and closing bills issued to Customers by Duke Energy Florida in its capacity as Servicer.

"Bond Interest Rate" means, with respect to any Tranche of Nuclear Asset-Recovery Bonds, the rate at which interest accrues on the Nuclear Asset-Recovery Bonds of such Tranche, as specified in the Series Supplement.

"Book-Entry Form" means, with respect to any Nuclear Asset-Recovery Bond, that such Nuclear Asset-Recovery Bond is not certificated and the ownership and transfers thereof shall be made through book entries by a Clearing Agency as described in Section 2.11 of the Indenture and the Series Supplement pursuant to which such Nuclear Asset-Recovery Bond was issued.

"Book-Entry Nuclear Asset-Recovery Bonds" means any Nuclear Asset-Recovery Bonds issued in Book-Entry Form; provided, however, that, after the occurrence of a condition whereupon book-entry registration and transfer are no longer permitted and Definitive Nuclear Asset-Recovery Bonds are to be issued to the Holder of such Nuclear Asset-Recovery Bonds, such Nuclear Asset-Recovery Bonds shall no longer be "Book-Entry Nuclear Asset-Recovery Bonds".

"Business Day" means any day other than a Saturday, a Sunday or a day on which banking institutions in St. Petersburg, Florida, Charlotte, North Carolina or New York, New York are, or DTC or the Corporate Trust Office is, authorized or obligated by law, regulation or executive order to be closed.

"Calculation Period" means, with respect to any True-Up Adjustment, the period comprised of the [12] consecutive Collection Periods beginning with the Collection Period in which such True-Up Adjustment would go into effect; provided, that, in the case of any True-Up Adjustment that would go into effect after the date that is 12 months prior to the last Scheduled Final Payment Date, the Calculation Period shall begin on the date the True-Up Adjustment

would go into effect and end on the Payment Date following such True-Up Adjustment date; provided, further, that, for the purpose of calculating the first Periodic Payment Requirement as of the Closing Date, "Calculation Period" means, initially, the period commencing on the Closing Date and ending on the last day of the billing cycle of [ ].

"Capital Contribution" means the amount of case contributed to the Issuer by Duke Energy Florida as specified in the LLC Agreement.

"Capital Subaccount" is defined in Section 8.02(a) of the Indenture.

"Capital Subaccount Investment Earnings" shall mean, for any Payment Date with respect to any Calculation Period, the sum of (a) an amount equal to investment earnings since the previous Payment Date (or, in the case of the first Payment Date, since the Closing Date) on the initial amount deposited by Duke Energy Florida in the Capital Subaccount plus (b) any such amounts not paid on any prior Payment Date.

"Certificate of Compliance" means the certificate referred to in Section 3.03 of the Servicing Agreement and substantially in the form of Exhibit E to the Servicing Agreement.

"Certificate of Formation" means the Certificate of Formation filed with the Secretary of State of the State of Delaware on [, 20] pursuant to which the Issuer was formed.

"Claim" means a "claim" as defined in Section 101(5) of the Bankruptcy Code.

"Clearing Agency" means an organization registered as a "clearing agency" pursuant to Section 17A of the Exchange Act.

"Clearing Agency Participant" means a securities broker, dealer, bank, trust company, clearing corporation or other financial institution or other Person for whom from time to time a Clearing Agency effects book entry transfers and pledges of securities deposited with such Clearing Agency.

"Closing Date" means [, 20], the date on which the Nuclear Asset-Recovery Bonds are originally issued in accordance with Section 2.10 of the Indenture and the Series Supplement.

"Code" means the Internal Revenue Code of 1986.

"Collection Account" is defined in Section 8.02(a) of the Indenture.

"Collection in Full of the Nuclear Asset-Recovery Charges" means the day on which the aggregate amounts on deposit in the General Subaccount and the Excess Funds Subaccount are sufficient to pay in full all the Outstanding Nuclear Asset-Recovery Bonds and to replenish any shortfall in the Capital Subaccount.

"Collection Period" means any period commencing on the first Servicer Business Day of any Billing Period and ending on the last Servicer Business Day of such Billing Period.

"Commission" means the Florida Public Service Commission.

"Commission Condition" means the satisfaction of any precondition to any amendment or modification to or action under any Basic Documents through the obtaining of Commission consent or acquiescence, as described in the related Basic Document.

"Commission Regulations" means any regulations, including temporary regulations, promulgated by the Commission pursuant to Florida law.

"Company Minutes" is defined in Section 1(a)(iv) of the Administration Agreement.

"Corporate Trust Office" means the office of the Indenture Trustee at which, at any particular time, its corporate trust business shall be administered, which office as of the Closing Date is located at [101 Barclay Street, 7 East, New York, New York 10286, Attention: Asset Backed Securities Unit, Telephone: (212) 815-5331, Facsimile: (212) 815-2830], or at such other address as the Indenture Trustee may designate from time to time by notice to the Holders of Nuclear Asset-Recovery Bonds and the Issuer, or the principal corporate trust office of any successor trustee designated by like notice.

"Covenant Defeasance Option" is defined in Section 4.01(b) of the Indenture.

"Customer" means any existing or future customer receiving transmission or distribution service from Duke Energy Florida or its successors or assignees under Commission-approved rate schedules or under special contracts[, even if such customer elects to purchase electricity from an AES following a fundamental change in regulation of public utilities in Florida].

"Daily Remittance" is defined in Section 6.11(a) of the Servicing Agreement.

"Default" means any occurrence that is, or with notice or the lapse of time or both would become, an Event of Default.

"Definitive Nuclear Asset-Recovery Bonds" is defined in Section 2.11 of the Indenture.

"Delaware UCC" means the Uniform Commercial Code as in effect on the Closing Date in the State of Delaware.

"DTC" means The Depository Trust Company.

"Duke Energy Florida" means Duke Energy Florida, Inc., a Florida corporation.

"Eligible Account" means a segregated non-interest-bearing trust account with an Eligible Institution.

"Eligible Institution" means:

(a) the corporate trust department of the Indenture Trustee, so long as any of the securities of the Indenture Trustee has a credit rating from each Rating Agency in one of its generic rating categories that signifies investment grade; or

(b) a depository institution organized under the laws of the United States of America or any State (or any domestic branch of a foreign bank) (i) that has either (A) a long-term issuer rating of "AA-" or higher by S&P and "A2" or higher by Moody's or (B) a short-term issuer rating of "A-1+" or higher by S&P and "P-1" or higher by Moody's or any other long-term, short-term or certificate of deposit rating acceptable to the Rating Agencies, and (ii) whose deposits are insured by the Federal Deposit Insurance Corporation.

If so qualified under clause (b) of this definition, the Indenture Trustee may be considered an Eligible Institution for the purposes of clause (a) of this definition.

"Eligible Investments" means instruments or investment property that evidence:

(a) direct obligations of, or obligations fully and unconditionally guaranteed as to timely payment by, the United States of America;

(b) demand or time deposits of, unsecured certificates of deposit of, money market deposit accounts of, or bankers' acceptances issued by, any depository institution (including the Indenture Trustee, acting in its commercial capacity) incorporated or organized under the laws of the United States of America or any State thereof and subject to supervision and examination by U.S. federal or state banking authorities, so long as the commercial paper or other short-term debt obligations of such depository institution are, at the time of deposit, rated at least "A-1" and "P-1" or their equivalents by each of S&P and Moody's [and, if Fitch provides ratings thereon by Fitch], or such lower rating as will not result in the downgrading or withdrawal of the ratings of the Nuclear Asset-Recovery Bonds;

(c) commercial paper (including commercial paper of the Indenture Trustee, acting in its commercial capacity, and other than commercial paper of Duke Energy Florida or any of its Affiliates), which at the time of purchase is rated at least "A-1" and "P-1" or their equivalents by each of S&P and Moody's or such lower rating as will not result in the downgrading or withdrawal of the ratings of the Nuclear Asset-Recovery Bonds;

(d) investments in money market funds having a rating in the highest investment category granted thereby (including funds for which the Indenture Trustee or

any of its Affiliates is investment manager or advisor) from Moody's, S&P [and Fitch, if rated by Fitch];

(e) repurchase obligations with respect to any security that is a direct obligation of, or fully guaranteed by, the United States of America or its agencies or instrumentalities, entered into with Eligible Institutions;

(f) repurchase obligations with respect to any security or whole loan entered into with an Eligible Institution or with a registered broker/dealer acting as principal and that meets the ratings criteria set forth below:

(i) a broker/dealer (acting as principal) registered as a broker or dealer under Section 15 of the Exchange Act (any such broker/dealer being referred to in this definition as a "broker/dealer"), the unsecured short-term debt obligations of which are rated at least "P-1" by Moody's, "A-1+" by S&P [and, if Fitch provides a rating thereon, "F-1+" by Fitch] at the time of entering into such repurchase obligation; or

(ii) an unrated broker/dealer, acting as principal, that is a wholly-owned subsidiary of a non-bank or bank holding company the unsecured short-term debt obligations of which are rated at least "P-1" by Moody's, "A-1+" by S&P [and, if Fitch provides a rating thereon, "F-1+" by Fitch] at the time of purchase so long as the obligations of such unrated broker/dealer are unconditionally guaranteed by such non-bank or bank holding company; and

(g) any other investment permitted by each of the Rating Agencies;

in each case maturing not later than the Business Day preceding the next Payment Date or Special Payment Date, if applicable (for the avoidance of doubt, investments in money market funds or similar instruments that are redeemable on demand shall be deemed to satisfy the foregoing requirement). Notwithstanding the foregoing: (1) no securities or investments that mature in 30 days or more shall be "Eligible Investments" unless the issuer thereof has either a short-term unsecured debt rating of at least "P-1" from Moody's or a long-term unsecured debt rating of at least "A2" from Moody's and also has a long-term unsecured debt rating of at least "A+" from S&P; (2) no securities or investments described in clauses (b) through (d) above that have maturities of more than 30 days but less than or equal to 3 months shall be "Eligible Investments" unless the issuer thereof has a long-term unsecured debt rating of at least "A1" from Moody's and a short-term unsecured debt rating of at least "P-1" from Moody's; and (3) no securities or investments described in clauses (b) through (d) above that have maturities of more than 3 months shall be "Eligible Investments" unless the issuer thereof has a long-term unsecured debt rating of at least "Aa3" from Moody's and a short-term unsecured debt rating of at least "P1" from Moody's.

"Event of Default" is defined in Section 5.01 of the Indenture.

"Excess Funds Subaccount" is defined in Section 8.02(a) of the Indenture.

"Exchange Act" means the Securities Exchange Act of 1934.

"Expected Amortization Schedule" means, with respect to any Tranche, the expected amortization schedule related thereto set forth in the Series Supplement.

"Federal Book-Entry Regulations" means 31 C.F.R. Part 357 et seq. (Department of Treasury).

"Federal Funds Rate" means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published for such day (or, if such day is not a Business Day, for the preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for such day on such transactions received by the Servicer from three federal funds brokers of recognized standing selected by it.

"Final" means, with respect to the Financing Order, that the Financing Order has become final, that the Financing Order is not being appealed and that the time for filing an appeal thereof has expired.

"Final Maturity Date" means, with respect to each Tranche of Nuclear Asset-Recovery Bonds, the final maturity date therefor as specified in the Series Supplement.

"Financing Costs" means all financing costs as defined in Section 366.95(1)(e) of the Nuclear Asset-Recovery Law allowed to be recovered by Duke Energy Florida under the Financing Order.

"Financing Order" means the financing order issued by the Commission to Duke Energy Florida on [, 20], Docket No. [ ], authorizing the creation of the Nuclear Asset-Recovery Property. Duke Energy Florida unconditionally accepted all conditions and limitations requested by such order in a letter dated [, 20] from Duke Energy Florida to the Commission.

"Financing Party" means any and all of the following: the Holders, the Indenture Trustee, Duke Energy Florida, collateral agents, any party under the Basic Documents, or any other person acting for the benefit of the Holders.

["Fitch" means Fitch Ratings or any successor thereto. References to Fitch are effective so long as Fitch is a Rating Agency.]

"Florida Secured Transactions Registry" means the centralized database in which all initial financing statements, amendments, assignments, and other statements of charge authorized to be filed under Chapter 679 of the Florida statutes.

"Florida UCC" means the Uniform Commercial Code as in effect on the Closing Date in the State of Florida.

"General Subaccount" is defined in Section 8.02(a) of the Indenture.

"Global Nuclear Asset-Recovery Bond" means a Nuclear Asset-Recovery Bond to be issued to the Holders thereof in Book-Entry Form, which Global Nuclear Asset-Recovery Bond shall be issued to the Clearing Agency, or its nominee, in accordance with Section 2.11 of the Indenture and the Series Supplement.

"Governmental Authority" means any nation or government, any U.S. federal, state, local or other political subdivision thereof and any court, administrative agency or other instrumentality or entity exercising executive, legislative, judicial, regulatory or administrative functions of government.

"Grant" means mortgage, pledge, bargain, sell, warrant, alienate, remise, release, convey, grant, transfer, create, grant a lien upon, a security interest in and right of set-off against, deposit, set over and confirm pursuant to the Indenture and the Series Supplement. A Grant of the Nuclear Asset-Recovery Bond Collateral shall include all rights, powers and options (but none of the obligations) of the granting party thereunder, including the immediate and continuing right to claim for, collect, receive and give receipt for payments in respect of the Nuclear Asset-Recovery Bond Collateral and all other moneys payable thereunder, to give and receive notices and other communications, to make waivers or other agreements, to exercise all rights and options, to bring Proceedings in the name of the granting party or otherwise and generally to do and receive anything that the granting party is or may be entitled to do or receive thereunder or with respect thereto.

"Holder" means the Person in whose name a Nuclear Asset-Recovery Bond is registered on the Nuclear Asset-Recovery Bond Register.

"Indemnified Losses" is defined in Section 5.03 of the Servicing Agreement.

"Indemnified Party" is defined in Section 6.02(a) of the Servicing Agreement.

"Indemnified Person" is defined in Section 5.01(f) of the Sale Agreement.

"Indenture" means the Indenture, dated as of the Closing Date, by and between the Issuer and The Bank of New York Mellon, a New York banking corporation, as Indenture Trustee and as Securities Intermediary.

"Indenture Trustee" means The Bank of New York Mellon, a New York banking corporation, as indenture trustee for the benefit of the Secured Parties, or any successor indenture trustee for the benefit of the Secured Parties, under the Indenture.

"Independent" means, when used with respect to any specified Person, that such specified Person (a) is in fact independent of the Issuer, any other obligor on the Nuclear Asset-Recovery Bonds, the Seller, the Servicer and any Affiliate of any of the foregoing Persons, (b) does not have any direct financial interest or any material indirect financial interest in the Issuer, any such other obligor, the Seller, the Servicer or any Affiliate of any of the foregoing Persons and (c) is not connected with the Issuer, any such other obligor, the Seller, the Servicer or any Affiliate of any of the foregoing Persons as an officer, employee, promoter, underwriter, trustee, partner, director (other than as an independent director or manager) or person performing similar functions.

"Independent Certificate" means a certificate to be delivered to the Indenture Trustee under the circumstances described in, and otherwise complying with, the applicable requirements of Section 10.01 of the Indenture, made by an Independent appraiser or other expert appointed by an Issuer Order and consented to by the Indenture Trustee, and such certificate shall state that the signer has read the definition of "Independent" in the Indenture and that the signer is Independent within the meaning thereof.

"Independent Manager" is defined in Section 4.01(a) of the LLC Agreement.

"Independent Manager Fee" is defined in Section 4.01(a) of the LLC Agreement.

"Insolvency Event" means, with respect to a specified Person: (a) the filing of a decree or order for relief by a court having jurisdiction in the premises in respect of such specified Person or any substantial part of its property in an involuntary case under any applicable U.S. federal or state bankruptcy, insolvency or other similar law in effect as of the Closing Date or thereafter, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for such specified Person or for any substantial part of its property, or ordering the winding-up or liquidation of such specified Person's affairs, and such decree or order shall remain unstayed and in effect for a period of 60 consecutive days; or (b) the commencement by such specified Person of a voluntary case under any applicable U.S. federal or state bankruptcy, insolvency or other similar law in effect as of the Closing Date or thereafter, or the consent by such specified Person to the entry of an order for relief in an involuntary case under any such law, or the consent by such specified Person to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for such specified Person or for any substantial part of its property, or the making by such specified Person of any general assignment for the benefit of creditors, or the failure by such specified Person generally to pay its debts as such debts become due, or the taking of action by such specified Person in furtherance of any of the foregoing.

"Intercreditor Agreement" means [ ]

"Interim True-Up Adjustment" means either an Optional Interim True-Up Adjustment made in accordance with Section 4.01(b)(ii) of the Servicing Agreement or a Non-standard True-Up Adjustment made in accordance with Section 4.01(b)(iii) of the Servicing Agreement.

"Investment Company Act" means the Investment Company Act of 1940.

"Investment Earnings" means investment earnings on funds deposited in the Collection Account net of losses and investment expenses.

"Issuer" means [DEF SPE] LLC, a Delaware limited liability company, named as such in the Indenture until a successor replaces it and, thereafter, means the successor and, for purposes of any provision contained herein and required by the Trust Indenture Act, each other obligor on the Nuclear Asset-Recovery Bonds.

"Issuer Documents" is defined in Section 1(a)(iv) of the Administration Agreement.

"Issuer Order" means a written order signed in the name of the Issuer by any one of its Responsible Officers and delivered to the Indenture Trustee or Paying Agent, as applicable.

"Issuer Request" means a written request signed in the name of the Issuer by any one of its Responsible Officers and delivered to the Indenture Trustee or Paying Agent, as applicable.

"Legal Defeasance Option" is defined in Section 4.01(b) of the Indenture.

"Letter of Representations" means any applicable agreement between the Issuer and the applicable Clearing Agency, with respect to such Clearing Agency's rights and obligations (in its capacity as a Clearing Agency) with respect to any Book-Entry Nuclear Asset-Recovery Bonds.

"Lien" means a security interest, lien, mortgage, charge, pledge, claim or encumbrance of any kind.

"LLC Agreement" means the Amended and Restated Limited Liability Company Agreement of [DEF SPE] LLC, dated as of the Closing Date.

"Losses" means (a) any and all amounts of principal of and interest on the Nuclear Asset-Recovery Bonds not paid when due or when scheduled to be paid in accordance with their terms and the amounts of any deposits by or to the Issuer required to have been made in accordance with the terms of the Basic Documents or the Financing Order that are not made when so required and (b) any and all other liabilities, obligations, losses, claims, damages, payments, costs or expenses of any kind whatsoever.

"Manager" means each manager of the Issuer under the LLC Agreement.

"Member" has the meaning specified in the first paragraph of the LLC Agreement.

"Monthly Servicer's Certificate" is defined in Section 3.01(b)(i) of the Servicing Agreement.

"Moody's" means Moody's Investors Service, Inc.. References to Moody's are effective so long as Moody's is a Rating Agency.

"Non-standard True-Up Adjustment" means any Non-standard True-Up Adjustment made pursuant to Section 4.01(b)(iii) of the Servicing Agreement.

"NRSRO" is defined in Section 10.18(b) of the Indenture.

"Nuclear Asset-Recovery Bond Collateral" is defined in the preamble of the Indenture.

"Nuclear Asset-Recovery Bond Register" is defined in Section 2.05 of the Indenture.

"Nuclear Asset-Recovery Bond Registrar" is defined in Section 2.05 of the Indenture.

"Nuclear Asset-Recovery Bonds" means the nuclear asset-recovery bonds authorized by the Financing Order and issued under the Indenture.

"Nuclear Asset-Recovery Charge" means any nuclear asset-recovery charges as defined in Section 366.95(1)(j) of the Nuclear Asset-Recovery Law that are authorized by the Financing Order.

"Nuclear Asset-Recovery Charge Collections" means Nuclear Asset-Recovery Charges actually received by the Servicer to be remitted to the Collection Account.

"Nuclear Asset-Recovery Charge Payments" means the payments made by Customers based on the Nuclear Asset-Recovery Charges.

"Nuclear Asset-Recovery Law" means the laws of the State of Florida adopted in May 2015 enacted as Section 366.95, Florida Statutes.

"Nuclear Asset-Recovery Property" means all nuclear asset-recovery property as defined in Section 366.95(1)(l) of the Nuclear Asset-Recovery Law created pursuant to the Financing Order and under the Nuclear Asset-Recovery Law, including the right to impose, bill, collect and receive the Nuclear Asset-Recovery Charges authorized under the Financing Order and to obtain periodic adjustments of the Nuclear Asset-Recovery Charges and all revenue, collections, claims, rights to payments, payments, money, or proceeds arising from the rights and interests specified in Section 366.95(1)(l)1., regardless of whether such revenues, collections, claims, rights to payment, payments, money, or proceeds are imposed, billed, received, collected, or maintained together with or commingled with other revenues, collections, rights to payment, payments, money, or proceeds.

"Nuclear Asset-Recovery Property Records" is defined in Section 5.01 of the Servicing Agreement.

"Nuclear Asset-Recovery Rate Class" means one of the [four] separate rate classes to whom Nuclear Asset-Recovery Charges are allocated for ratemaking purposes in accordance with the Financing Order.

"Nuclear Asset-Recovery Rate Schedule" means the Tariff sheets to be filed with the Commission stating the amounts of the Nuclear Asset-Recovery Charges, as such Tariff sheets may be amended or modified from time to time pursuant to a True-Up Adjustment.

"NY UCC" means the Uniform Commercial Code as in effect on the Closing Date in the State of New York.

"Officer's Certificate" means a certificate signed by a Responsible Officer of the Issuer under the circumstances described in, and otherwise complying with, the applicable requirements of Section 10.01 of the Indenture, and delivered to the Indenture Trustee.

"Ongoing Financing Costs" means the Financing Costs described as such in the Financing Order, including Operating Expenses and any other costs identified in the Basic Documents; provided, however, that Ongoing Financing Costs do not include the Issuer's costs of issuance of the Nuclear Asset-Recovery Bonds.

"Operating Expenses" means all unreimbursed fees, costs and out-of-pocket expenses of the Issuer, including all amounts owed by the Issuer to the Indenture Trustee (including indemnities, legal fees and expenses) or any Manager, the Servicing Fee, the Administration Fee, legal and accounting fees, Rating Agency, any Regulatory Assessment Fees and related fees (i.e. website provider fees) and any franchise or other taxes owed by the Issuer, including on investment income in the Collection Account.

"Opinion of Counsel" means one or more written opinions of counsel, who may, except as otherwise expressly provided in the Basic Documents, be employees of or counsel to the party providing such opinion of counsel, which counsel shall be reasonably acceptable to the party receiving such opinion of counsel, and shall be in form and substance reasonably acceptable to such party.

"Optional Interim True-Up Adjustment" means any Optional Interim True-Up Adjustment made pursuant to Section 4.01(b)(ii) of the Servicing Agreement.

"Outstanding" means, as of the date of determination, all Nuclear Asset-Recovery Bonds theretofore authenticated and delivered under the Indenture, except:

(a) Nuclear Asset-Recovery Bonds theretofore canceled by the Nuclear Asset-Recovery Bond Registrar or delivered to the Nuclear Asset-Recovery Bond Registrar for cancellation;

(b) Nuclear Asset-Recovery Bonds or portions thereof the payment for which money in the necessary amount has been theretofore deposited with the Indenture Trustee or any Paying Agent in trust for the Holders of such Nuclear Asset-Recovery Bonds; and

(c) Nuclear Asset-Recovery Bonds in exchange for or in lieu of other Nuclear Asset-Recovery Bonds that have been issued pursuant to the Indenture unless proof satisfactory to the Indenture Trustee is presented that any such Nuclear Asset-Recovery Bonds are held by a Protected Purchaser;

provided, that, in determining whether the Holders of the requisite Outstanding Amount of the Nuclear Asset-Recovery Bonds or any Tranche thereof have given any request, demand, authorization, direction, notice, consent or waiver under any Basic Document, Nuclear Asset-Recovery Bonds owned by the Issuer, any other obligor upon the Nuclear Asset-Recovery Bonds, the Member, the Seller, the Servicer or any Affiliate of any of the foregoing Persons shall be disregarded and deemed not to be Outstanding (unless one or more such Persons owns 100% of such Nuclear Asset-Recovery Bonds), except that, in determining whether the Indenture Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Nuclear Asset-Recovery Bonds that the Indenture Trustee actually knows to be so owned shall be so disregarded. Nuclear Asset-Recovery Bonds so owned that have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Indenture Trustee the pledgee's right so to act with respect to such Nuclear Asset-Recovery Bonds and that the pledgee is not the Issuer, any other obligor upon the Nuclear Asset-Recovery Bonds, the Member, the Seller, the Servicer or any Affiliate of any of the foregoing Persons.

"Outstanding Amount" means the aggregate principal amount of all Nuclear Asset-Recovery Bonds, or, if the context requires, all Nuclear Asset-Recovery Bonds of a Tranche, Outstanding at the date of determination.

"Paying Agent" means, with respect to the Indenture, the Indenture Trustee and any other Person appointed as a paying agent for the Nuclear Asset-Recovery Bonds pursuant to the Indenture.

"Payment Date" means, with respect to any Tranche of Nuclear Asset-Recovery Bonds, the dates specified in the Series Supplement; provided, that if any such date is not a Business Day, the Payment Date shall be the Business Day succeeding such date.

"Periodic Billing Requirement" means, for any Calculation Period, the aggregate amount of Nuclear Asset-Recovery Charges calculated by the Servicer as necessary to be billed during such period in order to collect the Periodic Payment Requirement on a timely basis.

"Periodic Interest" means, with respect to any Payment Date, the periodic interest for such Payment Date as specified in the Series Supplement.

"Periodic Payment Requirement" for any Calculation Period means the total dollar amount of Nuclear Asset-Recovery Charge Collections reasonably calculated by the Servicer in accordance with Section 4.01 of the Servicing Agreement as necessary to be received during such Calculation Period (after giving effect to the allocation and distribution of amounts on deposit in the Excess Funds Subaccount at the time of calculation and that are projected to be available for payments on the Nuclear Asset-Recovery Bonds at the end of such Calculation Period and including any shortfalls in Periodic Payment Requirements for any prior Calculation Period) in order to ensure that, as of the last Payment Date occurring in such Calculation Period, (a) all accrued and unpaid interest on the Nuclear Asset-Recovery Bonds then due shall have been paid in full on a timely basis, (b) the Outstanding Amount of the Nuclear Asset-Recovery Bonds is equal to the Projected Unpaid Balance on each Payment Date during such Calculation Period, (c) the balance on deposit in the Capital Subaccount equals the Required Capital Level and (d) all other fees and expenses due and owing and required or allowed to be paid under Section 8.02 of the Indenture as of such date shall have been paid in full; provided, that, with respect to any Semi-Annual True-Up Adjustment or Interim True-Up Adjustment occurring after the date that is one year prior to the last Scheduled Final Payment Date for the Nuclear Asset-Recovery Bonds, the Periodic Payment Requirements shall be calculated to ensure that sufficient Nuclear Asset-Recovery Charges will be collected to retire the Nuclear Asset-Recovery Bonds in full as of the next Payment Date.

"Periodic Principal" means, with respect to any Payment Date, the excess, if any, of the Outstanding Amount of Nuclear Asset-Recovery Bonds over the outstanding principal balance specified for such Payment Date on the Expected Amortization Schedule.

"Permitted Lien" means the Lien created by the Indenture.

"Permitted Successor" is defined in Section 5.02 of the Sale Agreement.

"Person" means any individual, corporation, limited liability company, estate, partnership, joint venture, association, joint stock company, trust (including any beneficiary thereof), unincorporated organization or Governmental Authority.

"Predecessor Nuclear Asset-Recovery Bond" means, with respect to any particular Nuclear Asset-Recovery Bond, every previous Nuclear Asset-Recovery Bond evidencing all or a portion of the same debt as that evidenced by such particular Nuclear Asset-Recovery Bond, and, for the purpose of this definition, any Nuclear Asset-Recovery Bond authenticated and delivered under Section 2.06 of the Indenture in lieu of a mutilated, lost, destroyed or stolen Nuclear Asset-Recovery Bond shall be deemed to evidence the same debt as the mutilated, lost, destroyed or stolen Nuclear Asset-Recovery Bond.

"Premises" is defined in Section 1(g) of the Administration Agreement.

"Proceeding" means any suit in equity, action at law or other judicial or administrative proceeding.

"Projected Unpaid Balance" means, as of any Payment Date, the sum of the projected outstanding principal amount of each Tranche of Nuclear Asset-Recovery Bonds for such Payment Date set forth in the Expected Amortization Schedule.

"Protected Purchaser" has the meaning specified in Section 8-303 of the UCC.

"Rating Agency" means, with respect to any Tranche of Nuclear Asset-Recovery Bonds, any of Moody's, S&P [or Fitch] that provides a rating with respect to the Nuclear Asset-Recovery Bonds. If no such organization (or successor) is any longer in existence, "Rating Agency" shall be a nationally recognized statistical rating organization or other comparable Person designated by the Issuer, notice of which designation shall be given to the Indenture Trustee and the Servicer.

"Rating Agency Condition" means, with respect to any action, at least ten Business Days' prior written notification to each Rating Agency of such action, and written confirmation from each of S&P and Moody's to the Servicer, the Indenture Trustee and the Issuer that such action will not result in a suspension, reduction or withdrawal of the then current rating by such Rating Agency of any Tranche of Nuclear Asset-Recovery Bonds; provided, that, if, within such ten Business Day period, any Rating Agency (other than S&P) has neither replied to such notification nor responded in a manner that indicates that such Rating Agency is reviewing and considering the notification, then (a) the Issuer shall be required to confirm that such Rating Agency has received the Rating Agency Condition request and, if it has, promptly request the related Rating Agency Condition confirmation and (b) if the Rating Agency neither replies to such notification nor responds in a manner that indicates it is reviewing and considering the notification within five Business Days following such second request, the applicable Rating Agency Condition requirement shall not be deemed to apply to such Rating Agency. For the purposes of this definition, any confirmation, request, acknowledgment or approval that is required to be in writing may be in the form of electronic mail or a press release (which may contain a general waiver of a Rating Agency's right to review or consent).

"Record Date" means one Business Day prior to the applicable Payment Date.

"Registered Holder" means the Person in whose name a Nuclear Asset-Recovery Bond is registered on the Nuclear Asset-Recovery Bond Register.

"Regulation AB" means the rules of the SEC promulgated under Subpart 229.1100 – Asset Backed Securities (Regulation AB), 17 C.F.R. §§229.1100-229.1123.

"Regulatory Assessment Fee" means any assessment fee due to the Commission pursuant to Section 350.113, Florida Statutes.

"Reimbursable Expenses" is defined in Section 2 of the Administration Agreement and Section 6.06(a) of the Servicing Agreement.

"Released Parties" is defined in Section 6.02(d) of the Servicing Agreement.

"Required Capital Level" means an amount of capital equal to 0.5% of the initial principal amount of the Nuclear Asset-Recovery Bonds.

"Requirement of Law" means any foreign, U.S. federal, state or local laws, statutes, regulations, rules, codes or ordinances enacted, adopted, issued or promulgated by any Governmental Authority or common law.

"Responsible Officer" means, with respect to: (a) the Issuer, any Manager or any duly authorized officer; (b) the Indenture Trustee, any officer within the Corporate Trust Office of such trustee (including the President, any Vice President, any Assistant Vice President, any Secretary, any Assistant Treasurer or any other officer of the Indenture Trustee customarily performing functions similar to those performed by persons who at the time shall be such officers, respectively, and that has direct responsibility for the administration of the Indenture and also, with respect to a particular matter, any other officer to whom such matter is referred to because of such officer's knowledge and familiarity with the particular subject); (c) any corporation (other than the Indenture Trustee), the Chief Executive Officer, the President, any Vice President, the Chief Financial Officer, the Treasurer, any Assistant Treasurer or any other duly authorized officer of such Person who has been authorized to act in the circumstances; (d) any partnership, any general partner thereof; and (e) any other Person (other than an individual), any duly authorized officer or member of such Person, as the context may require, who is authorized to act in matters relating to such Person.

"Return on Invested Capital" means, for any Payment Date with respect to any Calculation Period, the sum of (i) rate of return, payable to Duke Energy Florida, on its Capital Contribution equal to the rate of interest payable on the longest maturing tranche of Nuclear Asset-Recovery Bonds plus (ii) any Return on Invested Capital not paid on any prior Payment Date.

"S&P" means Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business. References to S&P are effective so long as S&P is a Rating Agency.

"Sale Agreement" means the Nuclear Asset-Recovery Property Purchase and Sale Agreement, dated as of the Closing Date, by and between the Issuer and Duke Energy Florida, and acknowledged and accepted by the Indenture Trustee.

"Scheduled Final Payment Date" means, with respect to each Tranche of Nuclear Asset-Recovery Bonds, the date when all interest and principal is scheduled to be paid with respect to that Tranche in accordance with the Expected Amortization Schedule, as specified in the Series Supplement. For the avoidance of doubt, the Scheduled Final Payment Date with respect to any Tranche shall be the last Scheduled Payment Date set forth in the Expected Amortization Schedule relating to such Tranche. The "last Scheduled Final Payment Date" means the Scheduled Final Payment Date of the latest maturing Tranche of Nuclear Asset-Recovery Bonds.

"Scheduled Payment Date" means, with respect to each Tranche of Nuclear Asset-Recovery Bonds, each Payment Date on which principal for such Tranche is to be paid in accordance with the Expected Amortization Schedule for such Tranche.

"SEC" means the Securities and Exchange Commission.

"Secured Obligations" means the payment of principal of and premium, if any, interest on, and any other amounts owing in respect of, the Nuclear Asset-Recovery Bonds and all fees, expenses, counsel fees and other amounts due and payable to the Indenture Trustee.

"Secured Parties" means the Indenture Trustee, the Holders and any credit enhancer described in the Series Supplement.

"Securities Act" means the Securities Act of 1933.

"Securities Intermediary" means The Bank of New York Mellon, a New York banking corporation, solely in the capacity of a "securities intermediary" as defined in the NY UCC and Federal Book-Entry Regulations or any successor securities intermediary under the Indenture.

"Seller" is defined in the preamble to the Sale Agreement.

"Semi-Annual Servicer's Certificate" is defined in Section 4.01(c)(ii) of the Servicing Agreement.

"Semi-Annual True-Up Adjustment" means each adjustment to the Nuclear Asset-Recovery Charges made in accordance with Section 4.01(b)(i) of the Servicing Agreement.

"Semi-Annual True-Up Adjustment Date" means the first billing cycle of [ ] and [ ] of each year, commencing in [, 20].

"Series Supplement" means the indenture supplemental to the Indenture in the form attached as Exhibit B to the Indenture that authorizes the issuance of the Nuclear Asset-Recovery Bonds.

"Servicer" means Duke Energy Florida, as Servicer under the Servicing Agreement.

"Servicer Business Day" means any day other than a Saturday, a Sunday or a day on which banking institutions in St. Petersburg, Florida, Charlotte, North Carolina or New York, New York are authorized or obligated by law, regulation or executive order to be closed, on which the Servicer maintains normal office hours and conducts business.

"Servicer Default" is defined in Section 7.01 of the Servicing Agreement.

"Servicer Policies and Practices" means, with respect to the Servicer's duties under Exhibit A to the Servicing Agreement, the policies and practices of the Servicer applicable to such duties that the Servicer follows with respect to comparable assets that it services for itself and, if applicable, others.

"Servicing Agreement" means the Nuclear Asset-Recovery Property Servicing Agreement, dated as of the Closing Date, by and between the Issuer and Duke Energy Florida, and acknowledged and accepted by the Indenture Trustee.

"Servicing Fee" is defined in Section 6.06(a) of the Servicing Agreement.

"Servicing Standard" means the obligation of the Servicer to calculate, apply, remit and reconcile proceeds of the Nuclear Asset-Recovery Property, including Nuclear Asset-Recovery Charge Payments, and all other Nuclear Asset-Recovery Bond Collateral for the benefit of the Issuer and the Holders (a) with the same degree of care and diligence as the Servicer applies with respect to payments owed to it for its own account, (b) in accordance with all applicable procedures and requirements established by the Commission for collection of electric utility tariffs and (c) in accordance with the other terms of the Servicing Agreement.

"Special Payment Date" means the date on which, with respect to any Tranche of Nuclear Asset-Recovery Bonds, any payment of principal of or interest (including any interest accruing upon default) on, or any other amount in respect of, the Nuclear Asset-Recovery Bonds of such Tranche that is not actually paid within five days of the Payment Date applicable thereto is to be made by the Indenture Trustee to the Holders.

"Special Record Date" means, with respect to any Special Payment Date, the close of business on the fifteenth day (whether or not a Business Day) preceding such Special Payment Date.

"Sponsor" means Duke Energy Florida, in its capacity as "sponsor" of the Nuclear Asset-Recovery Bonds within the meaning of Regulation AB.

"State" means any one of the fifty states of the United States of America or the District of Columbia.

"State Pledge" means the pledge of the State of Florida as set forth in Section 366.95(11) of the Nuclear Asset-Recovery Law.

"Subaccounts" is defined in Section 8.02(a) of the Indenture.

"Successor" means any successor to Duke Energy Florida under the Nuclear Asset-Recovery Law, whether pursuant to any bankruptcy, reorganization or other insolvency proceeding or pursuant to any merger, conversion, acquisition, sale or transfer, by operation of law, as a result of electric utility restructuring, or otherwise.

"Successor Servicer" is defined in Section 3.07(e) of the Indenture.

"Tariff" means the most current version on file with the Commission of [ ].

"Tax Returns" is defined in Section 1(a)(iii) of the Administration Agreement.

"Temporary Nuclear Asset-Recovery Bonds" means Nuclear Asset-Recovery Bonds executed and, upon the receipt of an Issuer Order, authenticated and delivered by the Indenture Trustee pending the preparation of Definitive Nuclear Asset-Recovery Bonds pursuant to Section 2.04 of the Indenture.

"Termination Notice" is defined in Section 7.01 of the Servicing Agreement.

"Tranche" means any one of the groupings of Nuclear Asset-Recovery Bonds differentiated by amortization schedule, interest rate or sinking fund schedule, as specified in the Series Supplement.

"True-Up Adjustment" means any Semi-Annual True-Up Adjustment or Interim True-Up Adjustment, as the case may be.

"Trust Indenture Act" means the Trust Indenture Act of 1939 as in force on the Closing Date, unless otherwise specifically provided.

"UCC" means the Uniform Commercial Code as in effect in the relevant jurisdiction.

"Underwriters" means the underwriters who purchase Nuclear Asset-Recovery Bonds of any Tranche from the Issuer and sell such Nuclear Asset-Recovery Bonds in a public offering.

"Underwriting Agreement" means the Underwriting Agreement, dated [, 20], by and among Duke Energy Florida, the representatives of the several Underwriters named therein and the Issuer.

"U.S. Government Obligations" means direct obligations (or certificates representing an ownership interest in such obligations) of the United States of America (including any agency or instrumentality thereof) for the payment of which the full faith and credit of the United States of America is pledged and that are not callable at the option of the issuer thereof.

"Weighted Average Days Outstanding" means the weighted average number of days Duke Energy Florida's monthly bills to Customers remain outstanding during the calendar year preceding the calculation thereof pursuant to Section 4.01(b)(i) of the Servicing Agreement.

B. Rules of Construction. Unless the context otherwise requires, in each Basic Document to which this Appendix A is attached:

(a) All accounting terms not specifically defined herein shall be construed in accordance with United States generally accepted accounting principles. To the extent that the definitions of accounting terms in any Basic Document are inconsistent with the meanings of such terms under generally accepted accounting principles or regulatory accounting principles, the definitions contained in such Basic Document shall control.

(b) The term "including" means "including without limitation", and other forms of the verb "include" have correlative meanings.

(c) All references to any Person shall include such Person's permitted successors and assigns, and any reference to a Person in a particular capacity excludes such Person in other capacities.

(d) Unless otherwise stated in any of the Basic Documents, in the computation of a period of time from a specified date to a later specified date, the word "from" means "from and including" and each of the words "to" and "until" means "to but excluding".

(e) The words "hereof", "herein" and "hereunder" and words of similar import when used in any Basic Document shall refer to such Basic Document as a whole and not to any particular provision of such Basic Document. References to Articles, Sections, Appendices and Exhibits in any Basic Document are references to Articles, Sections, Appendices and Exhibits in or to such Basic Document unless otherwise specified in such Basic Document.

(f) The various captions (including the tables of contents) in each Basic Document are provided solely for convenience of reference and shall not affect the meaning or interpretation of any Basic Document.

(g) The definitions contained in this Appendix A apply equally to the singular and plural forms of such terms, and words of the masculine, feminine or neuter gender shall mean and include the correlative words of other genders.

(h) Unless otherwise specified, references to an agreement or other document include references to such agreement or document as from time to time amended, restated, reformed, supplemented or otherwise modified in accordance with the terms thereof (subject to any restrictions on such amendments, restatements, reformations, supplements or modifications set forth in such agreement or document) and include any attachments thereto.

(i) References to any law, rule, regulation or order of a Governmental Authority shall include such law, rule, regulation or order as from time to time in effect, including any amendment, modification, codification, replacement or reenactment thereof or any substitution therefor.

(j) The word "will" shall be construed to have the same meaning and effect as the word "shall".

(k) The word "or" is not exclusive.

(l) All terms defined in the relevant Basic Document to which this Appendix A is attached shall have the defined meanings when used in any certificate or other document made or delivered pursuant thereto unless otherwise defined therein.

(m) A term has the meaning assigned to it.

ADMINISTRATION AGREEMENT

This ADMINISTRATION AGREEMENT, dated as of [, 20], is entered into by and between Duke Energy Florida, Inc., as administrator, and [DEF SPE] LLC, a Delaware limited liability company.

Capitalized terms used but not otherwise defined in this Administration Agreement shall have the respective meanings given to such terms in Appendix A, which is hereby incorporated by reference into this Administration Agreement as if set forth fully in this Administration Agreement. Not all terms defined in Appendix A are used in this Administration Agreement. The rules of construction set forth in Appendix A shall apply to this Administration Agreement and are hereby incorporated by reference into this Administration Agreement as if set forth fully in this Administration Agreement.

W I T N E S S E T H:

WHEREAS, the Issuer is issuing Nuclear Asset-Recovery Bonds pursuant to the Indenture and the Series Supplement;

WHEREAS, the Issuer has entered into certain agreements in connection with the issuance of the Nuclear Asset-Recovery Bonds, including (a) the Indenture, (b) the Servicing Agreement, (c) the Sale Agreement and (d) the other Basic Documents to which the Issuer is a party relating to the Nuclear Asset-Recovery Bonds;

WHEREAS, pursuant to the Basic Documents, the Issuer is required to perform certain duties in connection with the Basic Documents, the Nuclear Asset-Recovery Bonds and the Nuclear Asset-Recovery Bond Collateral pledged to the Indenture Trustee pursuant to the Indenture;

WHEREAS, the Issuer has no employees, other than its officers and managers, and does not intend to hire any employees, and consequently desires to have the Administrator perform certain of the duties of the Issuer referred to above and to provide such additional services consistent with the terms of this Administration Agreement and the other Basic Documents as the Issuer may from time to time request; and

WHEREAS, the Administrator has the capacity to provide the services and the facilities required thereby and is willing to perform such services and provide such facilities for the Issuer on the terms set forth herein;

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Duties of the Administrator; Management Services. The Administrator hereby agrees to provide the following corporate management services to the Issuer and to cause third parties to provide professional services required for or contemplated by such services in accordance with the provisions of this Administration Agreement:

(a) furnish the Issuer with ordinary clerical, bookkeeping and other corporate administrative services necessary and appropriate for the Issuer, including the following services:

(i) maintain at the Premises general accounting records of the Issuer (the "Account Records"), subject to year-end audit, in accordance with generally accepted accounting principles, separate and apart from its own accounting records, prepare or cause to be prepared such quarterly and annual financial statements as may be necessary or appropriate and arrange for year-end audits of the Issuer's financial statements by the Issuer's independent accountants;

(ii) prepare and, after execution by the Issuer, file with the SEC and any applicable state agencies documents required to be filed by the Issuer with the SEC and any applicable state agencies, including periodic reports required to be filed under the Exchange Act;

(iii) prepare for execution by the Issuer and cause to be filed such income, franchise or other tax returns of the Issuer as shall be required to be filed by applicable law (the "Tax Returns") and cause to be paid on behalf of the Issuer from the Issuer's funds any taxes required to be paid by the Issuer under applicable law;

(iv) prepare or cause to be prepared for execution by the Issuer's Managers minutes of the meetings of the Issuer's Managers and such other documents deemed appropriate by the Issuer to maintain the separate limited liability company existence and good standing of the Issuer (the "Company Minutes") or otherwise required under the Basic Documents (together with the Account Records, the Tax Returns, the Company Minutes, the LLC Agreement and the Certificate of Formation, the "Issuer Documents") and any other documents deliverable by the Issuer thereunder or in connection therewith; and

(v) hold, maintain and preserve at the Premises (or such other place as shall be required by any of the Basic Documents) executed copies (to the extent applicable) of the Issuer Documents and other documents executed by the Issuer thereunder or in connection therewith;

(b) take such actions on behalf of the Issuer as are necessary or desirable for the Issuer to keep in full effect its existence, rights and franchises as a limited liability company under the laws of the State of Delaware and obtain and preserve its qualification to do business in each jurisdiction in which it becomes necessary to be so qualified;

(c) take such actions on the behalf of the Issuer as are necessary for the issuance and delivery of the Nuclear Asset-Recovery Bonds;

(d) provide for the performance by the Issuer of its obligations under each of the Basic Documents, and prepare, or cause to be prepared, all documents, reports, filings, instruments, notices, certificates and opinions that it shall be the duty of the Issuer to prepare, file or deliver pursuant to the Basic Documents;

(e) to the full extent allowable under applicable law, enforce each of the rights of the Issuer under the Basic Documents, at the direction of the Indenture Trustee;

(f) provide for the defense, at the direction of the Issuer's Managers, of any action, suit or proceeding brought against the Issuer or affecting the Issuer or any of its assets;

(g) provide office space (the "Premises") for the Issuer and such reasonable ancillary services as are necessary to carry out the obligations of the Administrator hereunder, including telecopying, duplicating and word processing services;

(h) undertake such other administrative services as may be appropriate, necessary or requested by the Issuer; and

(i) provide such other services as are incidental to the foregoing or as the Issuer and the Administrator may agree.

In providing the services under this Section 1 and as otherwise provided under this Administration Agreement, the Administrator will not knowingly take any actions on behalf of the Issuer that (i) the Issuer is prohibited from taking under the Basic Documents, or (ii) would cause the Issuer to be in violation of any U.S. federal, state or local law or the LLC Agreement.

In performing its duties hereunder, the Administrator shall use the same degree of care and diligence that the Administrator exercises with respect to performing such duties for its own account and, if applicable, for others.

2. Compensation. As compensation for the performance of the Administrator's obligations under this Administration Agreement (including the compensation of Persons serving as Manager(s), other than the Independent Manager(s), and officers of the Issuer, but, for the avoidance of doubt, excluding the performance by Duke Energy Florida of its obligations in its capacity as Servicer), the Administrator shall be entitled to $[ ] annually (the "Administration Fee"), payable by the Issuer in installments of $[ ] on each Payment Date. In addition, the Administrator shall be entitled to be reimbursed by the Issuer for all costs and expenses of services performed by unaffiliated third parties and actually incurred by the Administrator in connection with the performance of its obligations under this Administration Agreement in accordance with Section 3 (but, for the avoidance of doubt, excluding any such costs and expenses incurred by Duke Energy Florida in its capacity as Servicer), to the extent

that such costs and expenses are supported by invoices or other customary documentation and are reasonably allocated to the Issuer ("Reimbursable Expenses").

3. Third Party Services. Any services required for or contemplated by the performance of the above-referenced services by the Administrator to be provided by unaffiliated third parties (including independent accountants' fees and counsel fees) may, if provided for or otherwise contemplated by the Financing Order and if the Issuer deems it necessary or desirable, be arranged by the Issuer or by the Administrator at the direction (which may be general or specific) of the Issuer. Costs and expenses associated with the contracting for such third-party professional services may be paid directly by the Issuer or paid by the Administrator and reimbursed by the Issuer in accordance with Section 2, or otherwise as the Administrator and the Issuer may mutually arrange.

4. Additional Information to be Furnished to the Issuer. The Administrator shall furnish to the Issuer from time to time such additional information regarding the Nuclear Asset-Recovery Bond Collateral as the Issuer shall reasonably request.

5. Independence of the Administrator. For all purposes of this Administration Agreement, the Administrator shall be an independent contractor and shall not be subject to the supervision of the Issuer with respect to the manner in which it accomplishes the performance of its obligations hereunder. Unless expressly authorized by the Issuer, the Administrator shall have no authority, and shall not hold itself out as having the authority, to act for or represent the Issuer in any way and shall not otherwise be deemed an agent of the Issuer.

6. No Joint Venture. Nothing contained in this Administration Agreement (a) shall constitute the Administrator and the Issuer as partners or co-members of any partnership, joint venture, association, syndicate, unincorporated business or other separate entity, (b) shall be construed to impose any liability as such on either of them or (c) shall be deemed to confer on either of them any express, implied or apparent authority to incur any obligation or liability on behalf of the other.

7. Other Activities of Administrator. Nothing herein shall prevent the Administrator or any of its members, managers, officers, employees or affiliates from engaging in other businesses or, in its sole discretion, from acting in a similar capacity as an administrator for any other Person even though such Person may engage in business activities similar to those of the Issuer.

8. Term of Agreement; Resignation and Removal of Administrator.

(a) This Administration Agreement shall continue in force until the payment in full of the Nuclear Asset-Recovery Bonds and any other amount that may become due and payable under the Indenture, upon which event this Administration Agreement shall automatically terminate. Notwithstanding the foregoing, the Administrator's obligation under Section 11(c) to indemnify Customers shall survive termination of this Administration Agreement.

(b) Subject to Section 8(e) and Section 8(f), the Administrator may resign its duties hereunder by providing the Issuer, the Commission and the Rating Agencies with at least 60 days' prior written notice.

(c) Subject to Section 8(e) and Section 8(f), the Issuer may remove the Administrator without cause by providing the Administrator, the Commission and the Rating Agencies with at least 60 days' prior written notice.

(d) Subject to Section 8(e) and Section 8(f), at the sole option of the Issuer, the Administrator may be removed immediately upon written notice of termination from the Issuer to the Administrator and the Rating Agencies if any of the following events shall occur:

(i) the Administrator shall default in the performance of any of its duties under this Administration Agreement and, after notice of such default, shall fail to cure such default within ten days (or, if such default cannot be cured in such time, shall (A) fail to give within ten days such assurance of cure as shall be reasonably satisfactory to the Issuer and (B) fail to cure such default within 30 days thereafter);

(ii) a court of competent jurisdiction shall enter a decree or order for relief, and such decree or order shall not have been vacated within 60 days, in respect of the Administrator in any involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or such court shall appoint a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for the Administrator or any substantial part of its property or order the winding-up or liquidation of its affairs; or

(iii) the Administrator shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law, shall consent to the appointment of a receiver, liquidator, assignee, trustee, custodian, sequestrator or similar official for the Administrator or any substantial part of its property, shall consent to the taking of possession by any such official of any substantial part of its property, shall make any general assignment for the benefit of creditors or shall fail generally to pay its debts as they become due.

The Administrator agrees that if any of the events specified in Section 8(d)(ii) or Section 8(d)(iii) shall occur, it shall give written notice thereof to the Issuer, the Commission and the Indenture Trustee as soon as practicable but in any event within seven days after the happening of such event.

(e) No resignation or removal of the Administrator pursuant to this Section 8 shall be effective until a successor Administrator has been appointed by the Issuer, the Rating Agency Condition shall have been satisfied with respect to the proposed appointment, the Commission Condition set forth in Section 13(b) of this Administration Agreement has been satisfied, and

such successor Administrator has agreed in writing to be bound by the terms of this Administration Agreement in the same manner as the Administrator is bound hereunder.

(f) The appointment of any successor Administrator shall be effective only after satisfaction of the Rating Agency Condition and the Commission Condition with respect to the proposed appointment.

9. Action upon Termination, Resignation or Removal. Promptly upon the effective date of termination of this Administration Agreement pursuant to Section 8(a), the resignation of the Administrator pursuant to Section 8(b) or the removal of the Administrator pursuant to Section 8(c) or Section 8(d), the Administrator shall be entitled to be paid a pro-rated portion of the annual fee described in Section 2 through the date of termination and all Reimbursable Expenses incurred by it through the date of such termination, resignation or removal. The Administrator shall forthwith upon such termination pursuant to Section 8(a) deliver to the Issuer all property and documents of or relating to the Nuclear Asset-Recovery Bond Collateral then in the custody of the Administrator. In the event of the resignation of the Administrator pursuant to Section 8(b) or the removal of the Administrator pursuant to Section 8(c) or Section 8(d), the Administrator shall cooperate with the Issuer and take all reasonable steps requested to assist the Issuer in making an orderly transfer of the duties of the Administrator.

10. Administrator's Liability. Except as otherwise provided herein, the Administrator assumes no liability other than to render or stand ready to render the services called for herein, and neither the Administrator nor any of its members, managers, officers, employees or affiliates shall be responsible for any action of the Issuer or any of the members, managers, officers, employees or affiliates of the Issuer (other than the Administrator itself). The Administrator shall not be liable for nor shall it have any obligation with regard to any of the liabilities, whether direct or indirect, absolute or contingent, of the Issuer or any of the members, managers, officers, employees or affiliates of the Issuer (other than the Administrator itself).

11. Indemnity.

(a) Subject to the priority of payments set forth in the Indenture, the Issuer shall indemnify the Administrator and its shareholders, directors, officers, employees and affiliates against all losses, claims, damages, penalties, judgments, liabilities and expenses (including all expenses of litigation or preparation therefor whether or not the Administrator is a party thereto) that any of them may pay or incur arising out of or relating to this Administration Agreement and the services called for herein; provided, however, that such indemnity shall not apply to any such loss, claim, damage, penalty, judgment, liability or expense resulting from the Administrator's negligence or willful misconduct in the performance of its obligations hereunder.

(b) The Administrator shall indemnify the Issuer and its members, managers, officers and employees against all losses, claims, damages, penalties, judgments, liabilities and expenses (including all expenses of litigation or preparation therefor whether or not the Issuer is a party

thereto) that any of them may incur as a result of the Administrator's negligence or willful misconduct in the performance of its obligations hereunder.

(c) If the Administrator remains an entity subject to the Commission's regulatory authority as a public utility (or otherwise for ratemaking purposes), the Administrator hereby acknowledges and agrees that the Commission, subject to the outcome of an appropriate Commission proceeding, may take such action as it deems necessary or appropriate under its regulatory authority to require the Administrator to make Customers whole for any Losses they incur by reason of the Administrator's negligence, recklessness or willful misconduct, including without limitation Losses attributable to higher Nuclear Asset-Recovery Charges imposed on Customers by reason of additional Operating Expenses. The Administrator hereby acknowledges and agrees that such action by the Commission may include, but is not limited to, adjustments to the Administrator's other regulated rates and charges or credits to Customers. If the Administrator does not remain, or is not subject to, the Commission's regulatory authority as a public utility (or otherwise for ratemaking purposes), such Administrator shall indemnify the Commission, on behalf of the Customers, for any Losses incurred by Customers by reason of the Administrator's negligence, recklessness or willful misconduct, including without limitation Losses attributable to higher Nuclear Asset-Recovery Charges imposed on Customers by reason of additional Operating Expenses. The Administrator's indemnification under this Section 11(c) shall survive the termination of this Administration Agreement, and any amounts paid with respect thereto shall be remitted and deposited with the Indenture Trustee for deposit into the Collection Account, unless otherwise directed by the Commission.

12. Notices. Any notice, report or other communication given hereunder shall be in writing and shall be effective (i) upon receipt when sent through the mails, registered or certified mail, return receipt requested, postage prepaid, with such receipt to be effective the date of delivery indicated on the return receipt, (ii) upon receipt when sent by an overnight courier, (iii) on the date personally delivered to an authorized officer of the party to which sent or (iv) on the date transmitted by facsimile or other electronic transmission with a confirmation of receipt in all cases, addressed as follows:

(a) if to the Issuer, to [DEF SPE] LLC, at 299 First Avenue North, St. Petersburg, Florida 33701, Attention: [ ], Telephone: [ ], Facsimile: [ ]; in care of (c/o): [ ]

(b) if to the Administrator, to Duke Energy Florida, at 299 First Avenue North, St. Petersburg, Florida 33701, Attention: [ ], Telephone: [ ], Facsimile: [ ]; in care of (c/o): [ ] and

(c) if to the Indenture Trustee, to the Corporate Trust Office.

Each party hereto may, by notice given in accordance herewith to the other party or parties hereto, designate any further or different address to which subsequent notices, reports and other communications shall be sent.

13. Amendments.

(a) Subject to Section 13(b), this Administration Agreement may be amended from time to time by a written amendment duly executed and delivered by each of the Issuer and the Administrator, with the prior written consent of the Indenture Trustee, the satisfaction of the Rating Agency Condition; provided, that any such amendment may not adversely affect the interest of any Holder in any material respect without the consent of the Holders of a majority of the outstanding principal amount of the Nuclear Asset-Recovery Bonds. Promptly after the execution of any such amendment or consent, the Issuer shall furnish copies of such amendment or consent to each of the Rating Agencies.

(b) Commission Condition. Notwithstanding anything to the contrary in this Section 13, no amendment or modification of this Administration Agreement shall be effective, nor shall any action requiring satisfaction of this condition pursuant to Section 8(e), Section 8(f), or Section 14 of this Administration Agreement be taken or be effective except upon satisfaction of the conditions precedent in this paragraph (b).

(i) At least 15 days prior to the effectiveness of any such amendment or modification and after obtaining the other necessary approvals set forth in Section 13(a) (except that the consent of the Indenture Trustee may be subject to the consent of Holders of the Nuclear Asset-Recovery Bonds if such consent is required or sought by the Indenture Trustee in connection with such amendment or modification) the Administrator shall have delivered to the Commission's [executive director and general counsel] written notification of any proposed amendment, which notification shall contain:

(A) a reference to Docket No. [ ];

(B) an Officer's Certificate stating that the proposed amendment or modification has been approved by all parties to this Administration Agreement; and

(C) a statement identifying the person to whom the Commission is to address any response to the proposed amendment or to request additional time.

(ii) If the Commission or an authorized representative of the Commission, within 15 days (subject to extension as provided in clause (iii)) of receiving a notification complying with subparagraph (i), shall have delivered to the office of the person specified in clause (i)(C) a written statement that the Commission might object to the proposed amendment or modification, then, subject to clause (iv) below, such proposed amendment or modification shall not be effective unless and until the Commission subsequently delivers a written statement that it does not object to such proposed amendment or modification; or

(iii) If the Commission or an authorized representative of the Commission, within 15 days of receiving a notification complying with subparagraph (i), shall have delivered to the office of the person specified in clause (i)(C) a written statement requesting an additional amount of time not to exceed thirty days in which to consider such proposed amendment or modification,

then such proposed amendment or modification shall not be effective if, within such extended period, the Commission shall have delivered to the office of the person specified in clause (i)(C) a written statement as described in subparagraph (ii), unless and until the Commission subsequently delivers a written statement that it does not object to such proposed amendment or modification.

(iv) If (A) the Commission or an authorized representative of the Commission, shall not have delivered written notice that the Commission might object to such proposed amendment or modification within the time periods described in subparagraphs (ii) or (iii), whichever is applicable, or (B) the Commission or authorized representative of the Commission, has delivered such written notice but does not within 60 days of the delivery of the notification in (a) above, provide subsequent written notice confirming that it does in fact object and the reasons therefore or advise that it has initiated a proceeding to determine what action it might take with respect to the matter, then the Commission shall be conclusively deemed not to have any objection to the proposed amendment or modification and such amendment or modification may subsequently become effective upon satisfaction of the other conditions specified in Section 13(a).

(v) Following the delivery of a statement from the Commission or an authorized representative of the Commission to the Administrator under subparagraph (ii), the Administrator and the Issuer shall have the right at any time to withdraw from the Commission further consideration of any proposed amendment, modification or other action.

(vi) For the purpose of this Section 13, an "authorized representative of the Commission" means any person authorized to act on behalf of the Commission, as evidenced by an Opinion of Counsel (which may be the general counsel) to the Commission.

14. Successors and Assigns. This Administration Agreement may not be assigned by the Administrator unless such assignment is previously consented to in writing by the Issuer, the Commission and the Indenture Trustee and subject to the satisfaction of the Rating Agency Condition in connection therewith. Any assignment with such consent and satisfaction, if accepted by the assignee, shall bind the assignee hereunder in the same manner as the Administrator is bound hereunder. Notwithstanding the foregoing, this Administration Agreement may be assigned by the Administrator without the consent of the Issuer, the Commission or the Indenture Trustee and without satisfaction of the Rating Agency Condition to a corporation or other organization that is a successor (by merger, reorganization, consolidation or purchase of assets) to the Administrator, including any Permitted Successor; provided, that such successor or organization executes and delivers to the Issuer and the Commission an agreement in which such corporation or other organization agrees to be bound hereunder by the terms of said assignment in the same manner as the Administrator is bound hereunder. Subject to the foregoing, this Administration Agreement shall bind any successors or assigns of the parties hereto. Upon satisfaction of all of the conditions of this Section 14, the preceding Administrator shall automatically and without further notice be released from all of its obligations hereunder.

15. Governing Law. **This Administration Agreement shall be construed in accordance with the laws of the State of Florida, without reference to its conflict of law provisions, and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with such laws.**

16. Counterparts. This Administration Agreement may be executed in counterparts, each of which when so executed shall be an original, but all of which together shall constitute but one and the same Administration Agreement.

17. Severability. Any provision of this Administration Agreement that is prohibited or unenforceable in any jurisdiction shall be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

18. Nonpetition Covenant. Notwithstanding any prior termination of this Administration Agreement, the Administrator covenants that it shall not, prior to the date that is one year and one day after payment in full of the Nuclear Asset-Recovery Bonds, acquiesce, petition or otherwise invoke or cause the Issuer to invoke the process of any court or government authority for the purpose of commencing or sustaining an involuntary case against the Issuer under any U.S. federal or state bankruptcy, insolvency or similar law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of the Issuer or any substantial part of its property or ordering the winding up or liquidation of the affairs of the Issuer.

19. Assignment to Indenture Trustee. The Administrator hereby acknowledges and consents to any mortgage, pledge, assignment and grant of a security interest by the Issuer to the Indenture Trustee for the benefit of the Secured Parties pursuant to the Indenture of any or all of the Issuer's rights hereunder and the assignment of any or all of the Issuer's rights hereunder to the Indenture Trustee for the benefit of the Secured Parties.

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IN WITNESS WHEREOF, the parties have caused this Administration Agreement to be duly executed and delivered as of the day and year first above written.

[DEF SPE] LLC,
as Issuer

By:_____
Name:
Title:

DUKE ENERGY FLORIDA,
as Administrator

By:_____
Name:
Title:

APPENDIX A

DEFINITIONS AND RULES OF CONSTRUCTION

A. Defined Terms. The following terms have the following meanings:

"17g-5 Website" is defined in Section 10.18(a) of the Indenture.

"Account Records" is defined in Section 1(a)(i) of the Administration Agreement.

"Act" is defined in Section 10.03(a) of the Indenture.

"Administration Agreement" means the Administration Agreement, dated as of the Closing Date, by and between Duke Energy Florida and the Issuer.

"Administration Fee" is defined in Section 2 of the Administration Agreement.

"Administrator" means Duke Energy Florida, as Administrator under the Administration Agreement, or any successor Administrator to the extent permitted under the Administration Agreement.

"AES" means an alternative energy supplier which is authorized by law to sell electric service to a customer using the transmission or distribution system of Duke Energy Florida.

"Affiliate" means, with respect to any specified Person, any other Person controlling or controlled by or under common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such specified Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Amendatory Schedule" means a revision to service riders or any other notice filing filed with the Commission in respect of the Nuclear Asset-Recovery Rate Schedule pursuant to a True-Up Adjustment.

"Annual Accountant's Report" is defined in Section 3.04(a) of the Servicing Agreement.

"Authorized Denomination" means, with respect to any Nuclear Asset-Recovery Bond, the authorized denomination therefor specified in the Series Supplement, which shall be at least $100,000 and, except as otherwise provided in the Series Supplement, integral multiples of $1,000 in excess thereof.

"Bankruptcy Code" means Title 11 of the United States Code (11 U.S.C. §§ 101 et seq.).

"Basic Documents" means the Indenture, the Administration Agreement, the Sale Agreement, the Bill of Sale, the Certificate of Formation, the LLC Agreement, the Servicing Agreement, the Series Supplement, the Intercreditor Agreement, the Letter of Representations, the Underwriting Agreement and all other documents and certificates delivered in connection therewith.

"Bill of Sale" means a bill of sale substantially in the form of Exhibit A to the Sale Agreement delivered pursuant to Section 2.02(a) of the Sale Agreement.

"Billed Nuclear Asset-Recovery Charges" means the amounts of Nuclear Asset-Recovery Charges billed by the Servicer.

"Billing Period" means the period created by dividing the calendar year into 12 consecutive periods of approximately [21] Servicer Business Days.

"Bills" means each of the regular monthly bills, summary bills, opening bills and closing bills issued to Customers by Duke Energy Florida in its capacity as Servicer.

"Bond Interest Rate" means, with respect to any Tranche of Nuclear Asset-Recovery Bonds, the rate at which interest accrues on the Nuclear Asset-Recovery Bonds of such Tranche, as specified in the Series Supplement.

"Book-Entry Form" means, with respect to any Nuclear Asset-Recovery Bond, that such Nuclear Asset-Recovery Bond is not certificated and the ownership and transfers thereof shall be made through book entries by a Clearing Agency as described in Section 2.11 of the Indenture and the Series Supplement pursuant to which such Nuclear Asset-Recovery Bond was issued.

"Book-Entry Nuclear Asset-Recovery Bonds" means any Nuclear Asset-Recovery Bonds issued in Book-Entry Form; provided, however, that, after the occurrence of a condition whereupon book-entry registration and transfer are no longer permitted and Definitive Nuclear Asset-Recovery Bonds are to be issued to the Holder of such Nuclear Asset-Recovery Bonds, such Nuclear Asset-Recovery Bonds shall no longer be "Book-Entry Nuclear Asset-Recovery Bonds".

"Business Day" means any day other than a Saturday, a Sunday or a day on which banking institutions in St. Petersburg, Florida, Charlotte, North Carolina or New York, New York are, or DTC or the Corporate Trust Office is, authorized or obligated by law, regulation or executive order to be closed.

"Calculation Period" means, with respect to any True-Up Adjustment, the period comprised of the [12] consecutive Collection Periods beginning with the Collection Period in

which such True-Up Adjustment would go into effect; provided, that, in the case of any True-Up Adjustment that would go into effect after the date that is 12 months prior to the last Scheduled Final Payment Date, the Calculation Period shall begin on the date the True-Up Adjustment would go into effect and end on the Payment Date following such True-Up Adjustment date; provided, further, that, for the purpose of calculating the first Periodic Payment Requirement as of the Closing Date, "Calculation Period" means, initially, the period commencing on the Closing Date and ending on the last day of the billing cycle of [ ].

"Capital Contribution" means the amount of case contributed to the Issuer by Duke Energy Florida as specified in the LLC Agreement.

"Capital Subaccount" is defined in Section 8.02(a) of the Indenture.

"Capital Subaccount Investment Earnings" shall mean, for any Payment Date with respect to any Calculation Period, the sum of (a) an amount equal to investment earnings since the previous Payment Date (or, in the case of the first Payment Date, since the Closing Date) on the initial amount deposited by Duke Energy Florida in the Capital Subaccount plus (b) any such amounts not paid on any prior Payment Date.

"Certificate of Compliance" means the certificate referred to in Section 3.03 of the Servicing Agreement and substantially in the form of Exhibit E to the Servicing Agreement.

"Certificate of Formation" means the Certificate of Formation filed with the Secretary of State of the State of Delaware on [, 20] pursuant to which the Issuer was formed.

"Claim" means a "claim" as defined in Section 101(5) of the Bankruptcy Code.

"Clearing Agency" means an organization registered as a "clearing agency" pursuant to Section 17A of the Exchange Act.

"Clearing Agency Participant" means a securities broker, dealer, bank, trust company, clearing corporation or other financial institution or other Person for whom from time to time a Clearing Agency effects book entry transfers and pledges of securities deposited with such Clearing Agency.

"Closing Date" means [, 20], the date on which the Nuclear Asset-Recovery Bonds are originally issued in accordance with Section 2.10 of the Indenture and the Series Supplement.

"Code" means the Internal Revenue Code of 1986.

"Collection Account" is defined in Section 8.02(a) of the Indenture.

"Collection in Full of the Nuclear Asset-Recovery Charges" means the day on which the aggregate amounts on deposit in the General Subaccount and the Excess Funds Subaccount are sufficient to pay in full all the Outstanding Nuclear Asset-Recovery Bonds and to replenish any shortfall in the Capital Subaccount.

"Collection Period" means any period commencing on the first Servicer Business Day of any Billing Period and ending on the last Servicer Business Day of such Billing Period.

"Commission" means the Florida Public Service Commission.

"Commission Condition" means the satisfaction of any precondition to any amendment or modification to or action under any Basic Documents through the obtaining of Commission consent or acquiescence, as described in the related Basic Document.

"Commission Regulations" means any regulations, including temporary regulations, promulgated by the Commission pursuant to Florida law.

"Company Minutes" is defined in Section 1(a)(iv) of the Administration Agreement.

"Corporate Trust Office" means the office of the Indenture Trustee at which, at any particular time, its corporate trust business shall be administered, which office as of the Closing Date is located at [101 Barclay Street, 7 East, New York, New York 10286, Attention: Asset Backed Securities Unit, Telephone: (212) 815-5331, Facsimile: (212) 815-2830], or at such other address as the Indenture Trustee may designate from time to time by notice to the Holders of Nuclear Asset-Recovery Bonds and the Issuer, or the principal corporate trust office of any successor trustee designated by like notice.

"Covenant Defeasance Option" is defined in Section 4.01(b) of the Indenture.

"Customer" means any existing or future customer receiving transmission or distribution service from Duke Energy Florida or its successors or assignees under Commission-approved rate schedules or under special contracts[, even if such customer elects to purchase electricity from an AES following a fundamental change in regulation of public utilities in Florida].

"Daily Remittance" is defined in Section 6.11(a) of the Servicing Agreement.

"Default" means any occurrence that is, or with notice or the lapse of time or both would become, an Event of Default.

"Definitive Nuclear Asset-Recovery Bonds" is defined in Section 2.11 of the Indenture.

"Delaware UCC" means the Uniform Commercial Code as in effect on the Closing Date in the State of Delaware.

"DTC" means The Depository Trust Company.

"Duke Energy Florida" means Duke Energy Florida, Inc., a Florida corporation.

"Eligible Account" means a segregated non-interest-bearing trust account with an Eligible Institution.

"Eligible Institution" means:

(a) the corporate trust department of the Indenture Trustee, so long as any of the securities of the Indenture Trustee has a credit rating from each Rating Agency in one of its generic rating categories that signifies investment grade; or

(b) a depository institution organized under the laws of the United States of America or any State (or any domestic branch of a foreign bank) (i) that has either (A) a long-term issuer rating of "AA-" or higher by S&P and "A2" or higher by Moody's or (B) a short-term issuer rating of "A-1+" or higher by S&P and "P-1" or higher by Moody's or any other long-term, short-term or certificate of deposit rating acceptable to the Rating Agencies, and (ii) whose deposits are insured by the Federal Deposit Insurance Corporation.

If so qualified under clause (b) of this definition, the Indenture Trustee may be considered an Eligible Institution for the purposes of clause (a) of this definition.

"Eligible Investments" means instruments or investment property that evidence:

(a) direct obligations of, or obligations fully and unconditionally guaranteed as to timely payment by, the United States of America;

(b) demand or time deposits of, unsecured certificates of deposit of, money market deposit accounts of, or bankers' acceptances issued by, any depository institution (including the Indenture Trustee, acting in its commercial capacity) incorporated or organized under the laws of the United States of America or any State thereof and subject to supervision and examination by U.S. federal or state banking authorities, so long as the commercial paper or other short-term debt obligations of such depository institution are, at the time of deposit, rated at least "A-1" and "P-1" or their equivalents by each of S&P and Moody's [and, if Fitch provides ratings thereon by Fitch], or such lower rating as will not result in the downgrading or withdrawal of the ratings of the Nuclear Asset-Recovery Bonds;

(c) commercial paper (including commercial paper of the Indenture Trustee, acting in its commercial capacity, and other than commercial paper of Duke Energy

Florida or any of its Affiliates), which at the time of purchase is rated at least "A-1" and "P-1" or their equivalents by each of S&P and Moody's or such lower rating as will not result in the downgrading or withdrawal of the ratings of the Nuclear Asset-Recovery Bonds;

(d) investments in money market funds having a rating in the highest investment category granted thereby (including funds for which the Indenture Trustee or any of its Affiliates is investment manager or advisor) from Moody's, S&P [and Fitch, if rated by Fitch];

(e) repurchase obligations with respect to any security that is a direct obligation of, or fully guaranteed by, the United States of America or its agencies or instrumentalities, entered into with Eligible Institutions;

(f) repurchase obligations with respect to any security or whole loan entered into with an Eligible Institution or with a registered broker/dealer acting as principal and that meets the ratings criteria set forth below:

(i) a broker/dealer (acting as principal) registered as a broker or dealer under Section 15 of the Exchange Act (any such broker/dealer being referred to in this definition as a "broker/dealer"), the unsecured short-term debt obligations of which are rated at least "P-1" by Moody's, "A-1+" by S&P [and, if Fitch provides a rating thereon, "F-1+" by Fitch] at the time of entering into such repurchase obligation; or

(ii) an unrated broker/dealer, acting as principal, that is a wholly-owned subsidiary of a non-bank or bank holding company the unsecured short-term debt obligations of which are rated at least "P-1" by Moody's, "A-1+" by S&P [and, if Fitch provides a rating thereon, "F-1+" by Fitch] at the time of purchase so long as the obligations of such unrated broker/dealer are unconditionally guaranteed by such non-bank or bank holding company; and

(g) any other investment permitted by each of the Rating Agencies;

in each case maturing not later than the Business Day preceding the next Payment Date or Special Payment Date, if applicable (for the avoidance of doubt, investments in money market funds or similar instruments that are redeemable on demand shall be deemed to satisfy the foregoing requirement). Notwithstanding the foregoing: (1) no securities or investments that mature in 30 days or more shall be "Eligible Investments" unless the issuer thereof has either a short-term unsecured debt rating of at least "P-1" from Moody's or a long-term unsecured debt rating of at least "A2" from Moody's and also has a long-term unsecured debt rating of at least "A+" from S&P; (2) no securities or investments described in clauses (b) through (d) above that have maturities of more than 30 days but less than or equal to 3 months shall be "Eligible Investments" unless the issuer thereof has a long-term unsecured debt rating of at least "A1"

from Moody's and a short-term unsecured debt rating of at least "P-1" from Moody's; and (3) no securities or investments described in clauses (b) through (d) above that have maturities of more than 3 months shall be "Eligible Investments" unless the issuer thereof has a long-term unsecured debt rating of at least "Aa3" from Moody's and a short-term unsecured debt rating of at least "P1" from Moody's.

"Event of Default" is defined in Section 5.01 of the Indenture.

"Excess Funds Subaccount" is defined in Section 8.02(a) of the Indenture.

"Exchange Act" means the Securities Exchange Act of 1934.

"Expected Amortization Schedule" means, with respect to any Tranche, the expected amortization schedule related thereto set forth in the Series Supplement.

"Federal Book-Entry Regulations" means 31 C.F.R. Part 357 et seq. (Department of Treasury).

"Federal Funds Rate" means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published for such day (or, if such day is not a Business Day, for the preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for such day on such transactions received by the Servicer from three federal funds brokers of recognized standing selected by it.

"Final" means, with respect to the Financing Order, that the Financing Order has become final, that the Financing Order is not being appealed and that the time for filing an appeal thereof has expired.

"Final Maturity Date" means, with respect to each Tranche of Nuclear Asset-Recovery Bonds, the final maturity date therefor as specified in the Series Supplement.

"Financing Costs" means all financing costs as defined in Section 366.95(1)(e) of the Nuclear Asset-Recovery Law allowed to be recovered by Duke Energy Florida under the Financing Order.

"Financing Order" means the financing order issued by the Commission to Duke Energy Florida on [, 20], Docket No. [ ], authorizing the creation of the Nuclear Asset-Recovery Property. Duke Energy Florida unconditionally accepted all conditions and limitations requested by such order in a letter dated [, 20] from Duke Energy Florida to the Commission.

"Financing Party" means any and all of the following: the Holders, the Indenture Trustee, Duke Energy Florida, collateral agents, any party under the Basic Documents, or any other person acting for the benefit of the Holders.

["Fitch" means Fitch Ratings or any successor thereto. References to Fitch are effective so long as Fitch is a Rating Agency.]

"Florida Secured Transactions Registry" means the centralized database in which all initial financing statements, amendments, assignments, and other statements of charge authorized to be filed under Chapter 679 of the Florida statutes.

"Florida UCC" means the Uniform Commercial Code as in effect on the Closing Date in the State of Florida.

"General Subaccount" is defined in Section 8.02(a) of the Indenture.

"Global Nuclear Asset-Recovery Bond" means a Nuclear Asset-Recovery Bond to be issued to the Holders thereof in Book-Entry Form, which Global Nuclear Asset-Recovery Bond shall be issued to the Clearing Agency, or its nominee, in accordance with Section 2.11 of the Indenture and the Series Supplement.

"Governmental Authority" means any nation or government, any U.S. federal, state, local or other political subdivision thereof and any court, administrative agency or other instrumentality or entity exercising executive, legislative, judicial, regulatory or administrative functions of government.

"Grant" means mortgage, pledge, bargain, sell, warrant, alienate, remise, release, convey, grant, transfer, create, grant a lien upon, a security interest in and right of set-off against, deposit, set over and confirm pursuant to the Indenture and the Series Supplement. A Grant of the Nuclear Asset-Recovery Bond Collateral shall include all rights, powers and options (but none of the obligations) of the granting party thereunder, including the immediate and continuing right to claim for, collect, receive and give receipt for payments in respect of the Nuclear Asset-Recovery Bond Collateral and all other moneys payable thereunder, to give and receive notices and other communications, to make waivers or other agreements, to exercise all rights and options, to bring Proceedings in the name of the granting party or otherwise and generally to do and receive anything that the granting party is or may be entitled to do or receive thereunder or with respect thereto.

"Holder" means the Person in whose name a Nuclear Asset-Recovery Bond is registered on the Nuclear Asset-Recovery Bond Register.

"Indemnified Losses" is defined in Section 5.03 of the Servicing Agreement.

"Indemnified Party" is defined in Section 6.02(a) of the Servicing Agreement.

"Indemnified Person" is defined in Section 5.01(f) of the Sale Agreement.

"Indenture" means the Indenture, dated as of the Closing Date, by and between the Issuer and The Bank of New York Mellon, a New York banking corporation, as Indenture Trustee and as Securities Intermediary.

"Indenture Trustee" means The Bank of New York Mellon, a New York banking corporation, as indenture trustee for the benefit of the Secured Parties, or any successor indenture trustee for the benefit of the Secured Parties, under the Indenture.

"Independent" means, when used with respect to any specified Person, that such specified Person (a) is in fact independent of the Issuer, any other obligor on the Nuclear Asset-Recovery Bonds, the Seller, the Servicer and any Affiliate of any of the foregoing Persons, (b) does not have any direct financial interest or any material indirect financial interest in the Issuer, any such other obligor, the Seller, the Servicer or any Affiliate of any of the foregoing Persons and (c) is not connected with the Issuer, any such other obligor, the Seller, the Servicer or any Affiliate of any of the foregoing Persons as an officer, employee, promoter, underwriter, trustee, partner, director (other than as an independent director or manager) or person performing similar functions.

"Independent Certificate" means a certificate to be delivered to the Indenture Trustee under the circumstances described in, and otherwise complying with, the applicable requirements of Section 10.01 of the Indenture, made by an Independent appraiser or other expert appointed by an Issuer Order and consented to by the Indenture Trustee, and such certificate shall state that the signer has read the definition of "Independent" in the Indenture and that the signer is Independent within the meaning thereof.

"Independent Manager" is defined in Section 4.01(a) of the LLC Agreement.

"Independent Manager Fee" is defined in Section 4.01(a) of the LLC Agreement.

"Insolvency Event" means, with respect to a specified Person: (a) the filing of a decree or order for relief by a court having jurisdiction in the premises in respect of such specified Person or any substantial part of its property in an involuntary case under any applicable U.S. federal or state bankruptcy, insolvency or other similar law in effect as of the Closing Date or thereafter, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for such specified Person or for any substantial part of its property, or ordering the winding-up or liquidation of such specified Person's affairs, and such decree or order shall remain unstayed and in effect for a period of 60 consecutive days; or (b) the commencement by such specified Person of a voluntary case under any applicable U.S. federal or state bankruptcy, insolvency or other similar law in effect as of the Closing Date or thereafter, or the consent by such specified Person to the entry of an order for relief in an involuntary case under any such law, or the consent by such specified Person to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official

for such specified Person or for any substantial part of its property, or the making by such specified Person of any general assignment for the benefit of creditors, or the failure by such specified Person generally to pay its debts as such debts become due, or the taking of action by such specified Person in furtherance of any of the foregoing.

"Intercreditor Agreement" means [ ]

"Interim True-Up Adjustment" means either an Optional Interim True-Up Adjustment made in accordance with Section 4.01(b)(ii) of the Servicing Agreement or a Non-standard True-Up Adjustment made in accordance with Section 4.01(b)(iii) of the Servicing Agreement.

"Investment Company Act" means the Investment Company Act of 1940.

"Investment Earnings" means investment earnings on funds deposited in the Collection Account net of losses and investment expenses.

"Issuer" means [DEF SPE] LLC, a Delaware limited liability company, named as such in the Indenture until a successor replaces it and, thereafter, means the successor and, for purposes of any provision contained herein and required by the Trust Indenture Act, each other obligor on the Nuclear Asset-Recovery Bonds.

"Issuer Documents" is defined in Section 1(a)(iv) of the Administration Agreement.

"Issuer Order" means a written order signed in the name of the Issuer by any one of its Responsible Officers and delivered to the Indenture Trustee or Paying Agent, as applicable.

"Issuer Request" means a written request signed in the name of the Issuer by any one of its Responsible Officers and delivered to the Indenture Trustee or Paying Agent, as applicable.

"Legal Defeasance Option" is defined in Section 4.01(b) of the Indenture.

"Letter of Representations" means any applicable agreement between the Issuer and the applicable Clearing Agency, with respect to such Clearing Agency's rights and obligations (in its capacity as a Clearing Agency) with respect to any Book-Entry Nuclear Asset-Recovery Bonds.

"Lien" means a security interest, lien, mortgage, charge, pledge, claim or encumbrance of any kind.

"LLC Agreement" means the Amended and Restated Limited Liability Company Agreement of [DEF SPE] LLC, dated as of the Closing Date.

"Losses" means (a) any and all amounts of principal of and interest on the Nuclear Asset-Recovery Bonds not paid when due or when scheduled to be paid in accordance with their terms and the amounts of any deposits by or to the Issuer required to have been made in accordance with the terms of the Basic Documents or the Financing Order that are not made when so required and (b) any and all other liabilities, obligations, losses, claims, damages, payments, costs or expenses of any kind whatsoever.

"Manager" means each manager of the Issuer under the LLC Agreement.

"Member" has the meaning specified in the first paragraph of the LLC Agreement.

"Monthly Servicer's Certificate" is defined in Section 3.01(b)(i) of the Servicing Agreement.

"Moody's" means Moody's Investors Service, Inc.. References to Moody's are effective so long as Moody's is a Rating Agency.

"Non-standard True-Up Adjustment" means any Non-standard True-Up Adjustment made pursuant to Section 4.01(b)(iii) of the Servicing Agreement.

"NRSRO" is defined in Section 10.18(b) of the Indenture.

"Nuclear Asset-Recovery Bond Collateral" is defined in the preamble of the Indenture.

"Nuclear Asset-Recovery Bond Register" is defined in Section 2.05 of the Indenture.

"Nuclear Asset-Recovery Bond Registrar" is defined in Section 2.05 of the Indenture.

"Nuclear Asset-Recovery Bonds" means the nuclear asset-recovery bonds authorized by the Financing Order and issued under the Indenture.

"Nuclear Asset-Recovery Charge" means any nuclear asset-recovery charges as defined in Section 366.95(1)(j) of the Nuclear Asset-Recovery Law that are authorized by the Financing Order.

"Nuclear Asset-Recovery Charge Collections" means Nuclear Asset-Recovery Charges actually received by the Servicer to be remitted to the Collection Account.

"Nuclear Asset-Recovery Charge Payments" means the payments made by Customers based on the Nuclear Asset-Recovery Charges.

"Nuclear Asset-Recovery Law" means the laws of the State of Florida adopted in May 2015 enacted as Section 366.95, Florida Statutes.

"Nuclear Asset-Recovery Property" means all nuclear asset-recovery property as defined in Section 366.95(1)(l) of the Nuclear Asset-Recovery Law created pursuant to the Financing Order and under the Nuclear Asset-Recovery Law, including the right to impose, bill, collect and receive the Nuclear Asset-Recovery Charges authorized under the Financing Order and to obtain periodic adjustments of the Nuclear Asset-Recovery Charges and all revenue, collections, claims, rights to payments, payments, money, or proceeds arising from the rights and interests specified in Section 366.95(1)(l)1., regardless of whether such revenues, collections, claims, rights to payment, payments, money, or proceeds are imposed, billed, received, collected, or maintained together with or commingled with other revenues, collections, rights to payment, payments, money, or proceeds.

"Nuclear Asset-Recovery Property Records" is defined in Section 5.01 of the Servicing Agreement.

"Nuclear Asset-Recovery Rate Class" means one of the [four] separate rate classes to whom Nuclear Asset-Recovery Charges are allocated for ratemaking purposes in accordance with the Financing Order.

"Nuclear Asset-Recovery Rate Schedule" means the Tariff sheets to be filed with the Commission stating the amounts of the Nuclear Asset-Recovery Charges, as such Tariff sheets may be amended or modified from time to time pursuant to a True-Up Adjustment.

"NY UCC" means the Uniform Commercial Code as in effect on the Closing Date in the State of New York.

"Officer's Certificate" means a certificate signed by a Responsible Officer of the Issuer under the circumstances described in, and otherwise complying with, the applicable requirements of Section 10.01 of the Indenture, and delivered to the Indenture Trustee.

"Ongoing Financing Costs" means the Financing Costs described as such in the Financing Order, including Operating Expenses and any other costs identified in the Basic Documents; provided, however, that Ongoing Financing Costs do not include the Issuer's costs of issuance of the Nuclear Asset-Recovery Bonds.

"Operating Expenses" means all unreimbursed fees, costs and out-of-pocket expenses of the Issuer, including all amounts owed by the Issuer to the Indenture Trustee (including indemnities, legal fees and expenses) or any Manager, the Servicing Fee, the Administration Fee, legal and accounting fees, Rating Agency, any Regulatory Assessment Fees and related fees (i.e. website provider fees) and any franchise or other taxes owed by the Issuer, including on investment income in the Collection Account.

"Opinion of Counsel" means one or more written opinions of counsel, who may, except as otherwise expressly provided in the Basic Documents, be employees of or counsel to the party providing such opinion of counsel, which counsel shall be reasonably acceptable to the party receiving such opinion of counsel, and shall be in form and substance reasonably acceptable to such party.

"Optional Interim True-Up Adjustment" means any Optional Interim True-Up Adjustment made pursuant to Section 4.01(b)(ii) of the Servicing Agreement.

"Outstanding" means, as of the date of determination, all Nuclear Asset-Recovery Bonds theretofore authenticated and delivered under the Indenture, except:

(a) Nuclear Asset-Recovery Bonds theretofore canceled by the Nuclear Asset-Recovery Bond Registrar or delivered to the Nuclear Asset-Recovery Bond Registrar for cancellation;

(b) Nuclear Asset-Recovery Bonds or portions thereof the payment for which money in the necessary amount has been theretofore deposited with the Indenture Trustee or any Paying Agent in trust for the Holders of such Nuclear Asset-Recovery Bonds; and

(c) Nuclear Asset-Recovery Bonds in exchange for or in lieu of other Nuclear Asset-Recovery Bonds that have been issued pursuant to the Indenture unless proof satisfactory to the Indenture Trustee is presented that any such Nuclear Asset-Recovery Bonds are held by a Protected Purchaser;

provided, that, in determining whether the Holders of the requisite Outstanding Amount of the Nuclear Asset-Recovery Bonds or any Tranche thereof have given any request, demand, authorization, direction, notice, consent or waiver under any Basic Document, Nuclear Asset-Recovery Bonds owned by the Issuer, any other obligor upon the Nuclear Asset-Recovery Bonds, the Member, the Seller, the Servicer or any Affiliate of any of the foregoing Persons shall be disregarded and deemed not to be Outstanding (unless one or more such Persons owns 100% of such Nuclear Asset-Recovery Bonds), except that, in determining whether the Indenture Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Nuclear Asset-Recovery Bonds that the Indenture Trustee actually knows to be so owned shall be so disregarded. Nuclear Asset-Recovery Bonds so owned that have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Indenture Trustee the pledgee's right so to act with respect to such Nuclear Asset-Recovery Bonds and that the pledgee is not the Issuer, any other obligor upon the Nuclear Asset-Recovery Bonds, the Member, the Seller, the Servicer or any Affiliate of any of the foregoing Persons.

"Outstanding Amount" means the aggregate principal amount of all Nuclear Asset-Recovery Bonds, or, if the context requires, all Nuclear Asset-Recovery Bonds of a Tranche, Outstanding at the date of determination.

"Paying Agent" means, with respect to the Indenture, the Indenture Trustee and any other Person appointed as a paying agent for the Nuclear Asset-Recovery Bonds pursuant to the Indenture.

"Payment Date" means, with respect to any Tranche of Nuclear Asset-Recovery Bonds, the dates specified in the Series Supplement; provided, that if any such date is not a Business Day, the Payment Date shall be the Business Day succeeding such date.

"Periodic Billing Requirement" means, for any Calculation Period, the aggregate amount of Nuclear Asset-Recovery Charges calculated by the Servicer as necessary to be billed during such period in order to collect the Periodic Payment Requirement on a timely basis.

"Periodic Interest" means, with respect to any Payment Date, the periodic interest for such Payment Date as specified in the Series Supplement.

"Periodic Payment Requirement" for any Calculation Period means the total dollar amount of Nuclear Asset-Recovery Charge Collections reasonably calculated by the Servicer in accordance with Section 4.01 of the Servicing Agreement as necessary to be received during such Calculation Period (after giving effect to the allocation and distribution of amounts on deposit in the Excess Funds Subaccount at the time of calculation and that are projected to be available for payments on the Nuclear Asset-Recovery Bonds at the end of such Calculation Period and including any shortfalls in Periodic Payment Requirements for any prior Calculation Period) in order to ensure that, as of the last Payment Date occurring in such Calculation Period, (a) all accrued and unpaid interest on the Nuclear Asset-Recovery Bonds then due shall have been paid in full on a timely basis, (b) the Outstanding Amount of the Nuclear Asset-Recovery Bonds is equal to the Projected Unpaid Balance on each Payment Date during such Calculation Period, (c) the balance on deposit in the Capital Subaccount equals the Required Capital Level and (d) all other fees and expenses due and owing and required or allowed to be paid under Section 8.02 of the Indenture as of such date shall have been paid in full; provided, that, with respect to any Semi-Annual True-Up Adjustment or Interim True-Up Adjustment occurring after the date that is one year prior to the last Scheduled Final Payment Date for the Nuclear Asset-Recovery Bonds, the Periodic Payment Requirements shall be calculated to ensure that sufficient Nuclear Asset-Recovery Charges will be collected to retire the Nuclear Asset-Recovery Bonds in full as of the next Payment Date.

"Periodic Principal" means, with respect to any Payment Date, the excess, if any, of the Outstanding Amount of Nuclear Asset-Recovery Bonds over the outstanding principal balance specified for such Payment Date on the Expected Amortization Schedule.

"Permitted Lien" means the Lien created by the Indenture.

"Permitted Successor" is defined in Section 5.02 of the Sale Agreement.

"Person" means any individual, corporation, limited liability company, estate, partnership, joint venture, association, joint stock company, trust (including any beneficiary thereof), unincorporated organization or Governmental Authority.

"Predecessor Nuclear Asset-Recovery Bond" means, with respect to any particular Nuclear Asset-Recovery Bond, every previous Nuclear Asset-Recovery Bond evidencing all or a portion of the same debt as that evidenced by such particular Nuclear Asset-Recovery Bond, and, for the purpose of this definition, any Nuclear Asset-Recovery Bond authenticated and delivered under Section 2.06 of the Indenture in lieu of a mutilated, lost, destroyed or stolen Nuclear Asset-Recovery Bond shall be deemed to evidence the same debt as the mutilated, lost, destroyed or stolen Nuclear Asset-Recovery Bond.

"Premises" is defined in Section 1(g) of the Administration Agreement.

"Proceeding" means any suit in equity, action at law or other judicial or administrative proceeding.

"Projected Unpaid Balance" means, as of any Payment Date, the sum of the projected outstanding principal amount of each Tranche of Nuclear Asset-Recovery Bonds for such Payment Date set forth in the Expected Amortization Schedule.

"Protected Purchaser" has the meaning specified in Section 8-303 of the UCC.

"Rating Agency" means, with respect to any Tranche of Nuclear Asset-Recovery Bonds, any of Moody's, S&P [or Fitch] that provides a rating with respect to the Nuclear Asset-Recovery Bonds. If no such organization (or successor) is any longer in existence, "Rating Agency" shall be a nationally recognized statistical rating organization or other comparable Person designated by the Issuer, notice of which designation shall be given to the Indenture Trustee and the Servicer.

"Rating Agency Condition" means, with respect to any action, at least ten Business Days' prior written notification to each Rating Agency of such action, and written confirmation from each of S&P and Moody's to the Servicer, the Indenture Trustee and the Issuer that such action will not result in a suspension, reduction or withdrawal of the then current rating by such Rating Agency of any Tranche of Nuclear Asset-Recovery Bonds; provided, that, if, within such ten Business Day period, any Rating Agency (other than S&P) has neither replied to such notification nor responded in a manner that indicates that such Rating Agency is reviewing and considering the notification, then (a) the Issuer shall be required to confirm that such Rating Agency has received the Rating Agency Condition request and, if it has, promptly request the related Rating Agency Condition confirmation and (b) if the Rating Agency neither replies to such notification nor responds in a manner that indicates it is reviewing and considering the notification within five Business Days following such second request, the applicable Rating Agency Condition requirement shall not be deemed to apply to such Rating Agency. For the purposes of this definition, any confirmation, request, acknowledgment or

approval that is required to be in writing may be in the form of electronic mail or a press release (which may contain a general waiver of a Rating Agency's right to review or consent).

"Record Date" means one Business Day prior to the applicable Payment Date.

"Registered Holder" means the Person in whose name a Nuclear Asset-Recovery Bond is registered on the Nuclear Asset-Recovery Bond Register.

"Regulation AB" means the rules of the SEC promulgated under Subpart 229.1100 – Asset Backed Securities (Regulation AB), 17 C.F.R. §§229.1100-229.1123.

"Regulatory Assessment Fee" means any assessment fee due to the Commission pursuant to Section 350.113, Florida Statutes.

"Reimbursable Expenses" is defined in Section 2 of the Administration Agreement and Section 6.06(a) of the Servicing Agreement.

"Released Parties" is defined in Section 6.02(d) of the Servicing Agreement.

"Required Capital Level" means an amount of capital equal to 0.5% of the initial principal amount of the Nuclear Asset-Recovery Bonds.

"Requirement of Law" means any foreign, U.S. federal, state or local laws, statutes, regulations, rules, codes or ordinances enacted, adopted, issued or promulgated by any Governmental Authority or common law.

"Responsible Officer" means, with respect to: (a) the Issuer, any Manager or any duly authorized officer; (b) the Indenture Trustee, any officer within the Corporate Trust Office of such trustee (including the President, any Vice President, any Assistant Vice President, any Secretary, any Assistant Treasurer or any other officer of the Indenture Trustee customarily performing functions similar to those performed by persons who at the time shall be such officers, respectively, and that has direct responsibility for the administration of the Indenture and also, with respect to a particular matter, any other officer to whom such matter is referred to because of such officer's knowledge and familiarity with the particular subject); (c) any corporation (other than the Indenture Trustee), the Chief Executive Officer, the President, any Vice President, the Chief Financial Officer, the Treasurer, any Assistant Treasurer or any other duly authorized officer of such Person who has been authorized to act in the circumstances; (d) any partnership, any general partner thereof; and (e) any other Person (other than an individual), any duly authorized officer or member of such Person, as the context may require, who is authorized to act in matters relating to such Person.

"Return on Invested Capital" means, for any Payment Date with respect to any Calculation Period, the sum of (i) rate of return, payable to Duke Energy Florida, on its Capital Contribution equal to the rate of interest payable on the longest maturing tranche of Nuclear

Asset-Recovery Bonds plus (ii) any Return on Invested Capital not paid on any prior Payment Date.

"S&P" means Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business. References to S&P are effective so long as S&P is a Rating Agency.

"Sale Agreement" means the Nuclear Asset-Recovery Property Purchase and Sale Agreement, dated as of the Closing Date, by and between the Issuer and Duke Energy Florida, and acknowledged and accepted by the Indenture Trustee.

"Scheduled Final Payment Date" means, with respect to each Tranche of Nuclear Asset-Recovery Bonds, the date when all interest and principal is scheduled to be paid with respect to that Tranche in accordance with the Expected Amortization Schedule, as specified in the Series Supplement. For the avoidance of doubt, the Scheduled Final Payment Date with respect to any Tranche shall be the last Scheduled Payment Date set forth in the Expected Amortization Schedule relating to such Tranche. The "last Scheduled Final Payment Date" means the Scheduled Final Payment Date of the latest maturing Tranche of Nuclear Asset-Recovery Bonds.

"Scheduled Payment Date" means, with respect to each Tranche of Nuclear Asset-Recovery Bonds, each Payment Date on which principal for such Tranche is to be paid in accordance with the Expected Amortization Schedule for such Tranche.

"SEC" means the Securities and Exchange Commission.

"Secured Obligations" means the payment of principal of and premium, if any, interest on, and any other amounts owing in respect of, the Nuclear Asset-Recovery Bonds and all fees, expenses, counsel fees and other amounts due and payable to the Indenture Trustee.

"Secured Parties" means the Indenture Trustee, the Holders and any credit enhancer described in the Series Supplement.

"Securities Act" means the Securities Act of 1933.

"Securities Intermediary" means The Bank of New York Mellon, a New York banking corporation, solely in the capacity of a "securities intermediary" as defined in the NY UCC and Federal Book-Entry Regulations or any successor securities intermediary under the Indenture.

"Seller" is defined in the preamble to the Sale Agreement.

"Semi-Annual Servicer's Certificate" is defined in Section 4.01(c)(ii) of the Servicing Agreement.

"Semi-Annual True-Up Adjustment" means each adjustment to the Nuclear Asset-Recovery Charges made in accordance with Section 4.01(b)(i) of the Servicing Agreement.

"Semi-Annual True-Up Adjustment Date" means the first billing cycle of [ ] and [ ] of each year, commencing in [, 20].

"Series Supplement" means the indenture supplemental to the Indenture in the form attached as Exhibit B to the Indenture that authorizes the issuance of the Nuclear Asset-Recovery Bonds.

"Servicer" means Duke Energy Florida, as Servicer under the Servicing Agreement.

"Servicer Business Day" means any day other than a Saturday, a Sunday or a day on which banking institutions in St. Petersburg, Florida, Charlotte, North Carolina or New York, New York are authorized or obligated by law, regulation or executive order to be closed, on which the Servicer maintains normal office hours and conducts business.

"Servicer Default" is defined in Section 7.01 of the Servicing Agreement.

"Servicer Policies and Practices" means, with respect to the Servicer's duties under Exhibit A to the Servicing Agreement, the policies and practices of the Servicer applicable to such duties that the Servicer follows with respect to comparable assets that it services for itself and, if applicable, others.

"Servicing Agreement" means the Nuclear Asset-Recovery Property Servicing Agreement, dated as of the Closing Date, by and between the Issuer and Duke Energy Florida, and acknowledged and accepted by the Indenture Trustee.

"Servicing Fee" is defined in Section 6.06(a) of the Servicing Agreement.

"Servicing Standard" means the obligation of the Servicer to calculate, apply, remit and reconcile proceeds of the Nuclear Asset-Recovery Property, including Nuclear Asset-Recovery Charge Payments, and all other Nuclear Asset-Recovery Bond Collateral for the benefit of the Issuer and the Holders (a) with the same degree of care and diligence as the Servicer applies with respect to payments owed to it for its own account, (b) in accordance with all applicable procedures and requirements established by the Commission for collection of electric utility tariffs and (c) in accordance with the other terms of the Servicing Agreement.

"Special Payment Date" means the date on which, with respect to any Tranche of Nuclear Asset-Recovery Bonds, any payment of principal of or interest (including any interest accruing upon default) on, or any other amount in respect of, the Nuclear Asset-Recovery Bonds of such Tranche that is not actually paid within five days of the Payment Date applicable thereto is to be made by the Indenture Trustee to the Holders.

"Special Record Date" means, with respect to any Special Payment Date, the close of business on the fifteenth day (whether or not a Business Day) preceding such Special Payment Date.

"Sponsor" means Duke Energy Florida, in its capacity as "sponsor" of the Nuclear Asset-Recovery Bonds within the meaning of Regulation AB.

"State" means any one of the fifty states of the United States of America or the District of Columbia.

"State Pledge" means the pledge of the State of Florida as set forth in Section 366.95(11) of the Nuclear Asset-Recovery Law.

"Subaccounts" is defined in Section 8.02(a) of the Indenture.

"Successor" means any successor to Duke Energy Florida under the Nuclear Asset-Recovery Law, whether pursuant to any bankruptcy, reorganization or other insolvency proceeding or pursuant to any merger, conversion, acquisition, sale or transfer, by operation of law, as a result of electric utility restructuring, or otherwise.

"Successor Servicer" is defined in Section 3.07(e) of the Indenture.

"Tariff" means the most current version on file with the Commission of [ ].

"Tax Returns" is defined in Section 1(a)(iii) of the Administration Agreement.

"Temporary Nuclear Asset-Recovery Bonds" means Nuclear Asset-Recovery Bonds executed and, upon the receipt of an Issuer Order, authenticated and delivered by the Indenture Trustee pending the preparation of Definitive Nuclear Asset-Recovery Bonds pursuant to Section 2.04 of the Indenture.

"Termination Notice" is defined in Section 7.01 of the Servicing Agreement.

"Tranche" means any one of the groupings of Nuclear Asset-Recovery Bonds differentiated by amortization schedule, interest rate or sinking fund schedule, as specified in the Series Supplement.

"True-Up Adjustment" means any Semi-Annual True-Up Adjustment or Interim True-Up Adjustment, as the case may be.

"Trust Indenture Act" means the Trust Indenture Act of 1939 as in force on the Closing Date, unless otherwise specifically provided.

"UCC" means the Uniform Commercial Code as in effect in the relevant jurisdiction.

"Underwriters" means the underwriters who purchase Nuclear Asset-Recovery Bonds of any Tranche from the Issuer and sell such Nuclear Asset-Recovery Bonds in a public offering.

"Underwriting Agreement" means the Underwriting Agreement, dated [, 20], by and among Duke Energy Florida, the representatives of the several Underwriters named therein and the Issuer.

"U.S. Government Obligations" means direct obligations (or certificates representing an ownership interest in such obligations) of the United States of America (including any agency or instrumentality thereof) for the payment of which the full faith and credit of the United States of America is pledged and that are not callable at the option of the issuer thereof.

"Weighted Average Days Outstanding" means the weighted average number of days Duke Energy Florida's monthly bills to Customers remain outstanding during the calendar year preceding the calculation thereof pursuant to Section 4.01(b)(i) of the Servicing Agreement.

B. Rules of Construction. Unless the context otherwise requires, in each Basic Document to which this Appendix A is attached:

(a) All accounting terms not specifically defined herein shall be construed in accordance with United States generally accepted accounting principles. To the extent that the definitions of accounting terms in any Basic Document are inconsistent with the meanings of such terms under generally accepted accounting principles or regulatory accounting principles, the definitions contained in such Basic Document shall control.

(b) The term "including" means "including without limitation", and other forms of the verb "include" have correlative meanings.

(c) All references to any Person shall include such Person's permitted successors and assigns, and any reference to a Person in a particular capacity excludes such Person in other capacities.

(d) Unless otherwise stated in any of the Basic Documents, in the computation of a period of time from a specified date to a later specified date, the word "from" means "from and including" and each of the words "to" and "until" means "to but excluding".

(e) The words "hereof", "herein" and "hereunder" and words of similar import when used in any Basic Document shall refer to such Basic Document as a whole and not to any particular provision of such Basic Document. References to Articles, Sections, Appendices and Exhibits in any Basic Document are references to Articles, Sections, Appendices and Exhibits in or to such Basic Document unless otherwise specified in such Basic Document.

(f) The various captions (including the tables of contents) in each Basic Document are provided solely for convenience of reference and shall not affect the meaning or interpretation of any Basic Document.

(g) The definitions contained in this Appendix A apply equally to the singular and plural forms of such terms, and words of the masculine, feminine or neuter gender shall mean and include the correlative words of other genders.

(h) Unless otherwise specified, references to an agreement or other document include references to such agreement or document as from time to time amended, restated, reformed, supplemented or otherwise modified in accordance with the terms thereof (subject to any restrictions on such amendments, restatements, reformations, supplements or modifications set forth in such agreement or document) and include any attachments thereto.

(i) References to any law, rule, regulation or order of a Governmental Authority shall include such law, rule, regulation or order as from time to time in effect, including any amendment, modification, codification, replacement or reenactment thereof or any substitution therefor.

(j) The word "will" shall be construed to have the same meaning and effect as the word "shall".

(k) The word "or" is not exclusive.

(l) All terms defined in the relevant Basic Document to which this Appendix A is attached shall have the defined meanings when used in any certificate or other document made or delivered pursuant thereto unless otherwise defined therein.

(m) A term has the meaning assigned to it.

AMENDED AND RESTATED

LIMITED LIABILITY COMPANY AGREEMENT

OF
[DEF SPE] LLC

Dated and Effective as of

[_____ __, 20__]

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EXHIBITS, SCHEDULES AND APPENDIX

AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT OF
[DEF SPE] LLC

This AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT (this "Agreement") of **[DEF SPE]** LLC, a Delaware limited liability company (the "Company"), is made and entered into as of [_____ __, 20__] by DUKE ENERGY FLORIDA, INC., a Florida corporation (including any additional or successor members of the Company other than Special Members, the "Member").

WHEREAS, the Member has caused to be filed a Certificate of Formation with the Secretary of State of the State of Delaware to form the Company under and pursuant to the LLC Act and has entered into a Limited Liability Company Agreement of the Company, dated as of [_____ __, 20__] (the "Original LLC Agreement"); and

WHEREAS, in accordance with the LLC Act, the Member desires to enter into this Agreement to amend and restate in its entirety the Original LLC Agreement and to set forth the rights, powers and interests of the Member with respect to the Company and its Membership Interest therein and to provide for the management of the business and operations of the Company.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, the Member, intending to be legally bound, hereby agrees to amend and restate in its entirety the Original LLC Agreement as follows:

ARTICLE I

GENERAL PROVISIONS

SECTION 1.01 Definitions.

(a) Unless otherwise defined herein, capitalized terms used herein shall have the meanings assigned to them in Appendix A attached hereto.

(b) All terms defined in this Agreement shall have the defined meanings when used in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein.

(c) The words "hereof," "herein," "hereunder" and words of similar import, when used in this Agreement, shall refer to this Agreement as a whole and not to any particular provision of this Agreement; Article, Section, Schedule, Exhibit, Annex and Attachment references contained in this Agreement are references to Articles, Sections, Schedules, Exhibits, Annexes and Attachments in or to this Agreement unless otherwise specified; and the terms "includes" and "including" shall mean "includes without limitation" and "including without limitation", respectively.

(d) The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms.

(e) Non-capitalized terms used herein which are defined in the LLC Act, shall, as the context requires, have the meanings assigned to such terms in the LLC Act as of the date hereof, but without giving effect to amendments to the LLC Act.

SECTION 1.02 Sole Member; Registered Office and Agent.

(a) The initial sole member of the Company shall be Duke Energy Florida, Inc., a Florida corporation, or any successor as sole member pursuant to Sections 1.02(c), 6.06 and 6.07. The registered office and registered agent of the Company in the State of Delaware shall be **[The Corporation Trust Company, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801]**. The Member may change said registered office and agent from one location to another in the State of Delaware. The Member shall provide notice of any such change to the Indenture Trustee.

(b) Upon the occurrence of any event that causes the Member to cease to be a member of the Company (other than upon continuation of the Company without dissolution upon the transfer or assignment by the Member of all of its limited liability company interest in the Company and the admission of the transferee or an additional member of the Company pursuant to Sections 6.06 and 6.07), each Person acting as an Independent Manager (as defined herein) pursuant to the terms of this Agreement shall, without any action of any Person and simultaneously with the Member ceasing to be a member of the Company, automatically be admitted to the Company as a Special Member and shall continue the Company without dissolution. No Special Member may resign from the Company or transfer its rights as Special Member unless (i) a successor Special Member has been admitted to the Company as Special Member by executing a counterpart to this Agreement, and (ii) such successor has also accepted its appointment as an Independent Manager pursuant to this Agreement; provided, however, the Special Members shall automatically cease to be members of the Company upon the admission to the Company of a substitute Member. Each Special Member shall be a member of the Company that has no interest in the profits, losses and capital of the Company and has no right to receive any distributions of Company assets (and no Special Member shall be treated as a member of the Company for federal income tax purposes). Pursuant to Section 18-301 of the LLC Act, a Special Member shall not be required to make any capital contributions to the Company and shall not receive a limited liability company interest in the Company. A Special Member, in its capacity as Special Member, may not bind the Company. Except as required by any mandatory provision of the LLC Act, each Special Member, in its capacity as Special Member, shall have no right to vote on, approve or otherwise consent to any action by, or matter relating to, the Company, including the merger, consolidation or conversion of the Company. In order to implement the admission to the Company of each Special Member, each Person acting as an Independent Manager pursuant to this Agreement shall execute a counterpart to this Agreement. Prior to its admission to the Company as Special Member, each Person acting as an Independent Manager pursuant to this Agreement shall not be a member of the Company. A "Special Member" means, upon such Person's admission to the

Company as a member of the Company pursuant to this Section 1.02(b), a Person acting as an Independent Manager, in such Person's capacity as a member of the Company. A Special Member shall only have the rights and duties expressly set forth in this Agreement. For purposes of this Agreement, a Special Member is not included within the defined term "Member".

(c) The Company may admit additional Members with the affirmative vote of a majority of the Managers, which vote must include the affirmative vote of each Independent Manager. Notwithstanding the preceding sentence, it shall be a condition to the admission of any additional Member that the sole Member shall have received an opinion of outside tax counsel (as selected by the Member in form and substance reasonably satisfactory to the Member and the Indenture Trustee) that the admission of such additional Member shall not cause the Company to be treated, for federal income tax purposes, as having more than a "sole owner" and that the Company shall not be treated, for federal income tax purposes, as an entity separate from such "sole owner".

SECTION 1.03 Other Offices. The Company may have an office at **299 First Avenue North, St. Petersburg, Florida, 33701**, or at any other offices that may at any time be established by the Member at any place or places within or outside the State of Delaware. The Member shall provide notice to the Indenture Trustee of any change in the location of the Company's office.

SECTION 1.04 Name. The name of the Company shall be "**[DEF SPE]** LLC". The name of the Company may be changed from time to time by the Member with ten (10) days' prior written notice to the Managers and the Indenture Trustee, and the filing of an appropriate amendment to the Certificate of Formation with the Secretary of State as required by the LLC Act.

SECTION 1.05 Purpose; Nature of Business Permitted; Powers. The Company is intended to qualify as an "Assignee" as defined in Section 366.95(1)(b) of the Nuclear Asset-Recovery Law. The purposes for which the Company is formed are limited to:

(a) acquire, own, hold, administer, service or enter into agreements regarding the receipt and servicing of Nuclear Asset-Recovery Property and the other Nuclear Asset-Recovery Bond Collateral, along with certain other related assets;

(b) manage, sell, assign, pledge, collect amounts due on or otherwise deal with the Nuclear Asset-Recovery Property and the other Nuclear Asset-Recovery Bond Collateral and related assets to be so acquired in accordance with the terms of the Basic Documents;

(c) negotiate, authorize, execute, deliver, assume the obligations under, and perform its duties under, the Basic Documents and any other agreement or instrument or document relating to the activities set forth in clauses (a) and (b) above; provided, that each party to any such agreement under which material obligations are imposed upon the Company shall covenant that it shall not, prior to the date which is one year and one day after the termination of the Indenture and the payment in full of the Nuclear Asset-

Recovery Bonds and any other amounts owed under the Indenture, acquiesce, petition or otherwise invoke or cause the Company to invoke the process of any court or Governmental Authority for the purpose of commencing or sustaining an involuntary case against the Company under any federal or state bankruptcy, insolvency or similar law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of the Company or any substantial part of the property of the Company; or ordering the winding up or liquidation of the affairs of the Company; and provided, further, that the Company shall be permitted to incur additional indebtedness or other liabilities payable to service providers and trade creditors in the ordinary course of business in connection with the foregoing activities;

(d) file with the U.S. Securities and Exchange Commission one or more registration statements, including any pre-effective or post-effective amendments thereto and any registration statement filed pursuant to Rule 462(b) under the Securities Act of 1933, as amended (including any prospectus supplement, prospectus and exhibits contained therein) and file such applications, reports, surety bonds, irrevocable consents, appointments of attorney for service of process and other papers and documents necessary or desirable to register the Nuclear Asset-Recovery Bonds under the securities or "Blue Sky" laws of various jurisdictions;

(e) authorize, execute, deliver, issue and register the Nuclear Asset-Recovery Bonds;

(f) make payments on the Nuclear Asset-Recovery Bonds;

(g) pledge its interest in Nuclear Asset-Recovery Property and other Nuclear Asset-Recovery Bond Collateral to the Indenture Trustee under the Indenture in order to secure the Nuclear Asset-Recovery Bonds; and

(h) engage in any lawful act or activity and exercise any powers permitted to limited liability companies formed under the laws of the State of Delaware that, in either case, are incidental to, or necessary, suitable or convenient for the accomplishment of the above-mentioned purposes.

The Company shall engage only in any activities related to the foregoing purposes or required or authorized by the terms of the Basic Documents or other agreements referenced above. The Company shall have all powers reasonably incidental, necessary, suitable or convenient to effect the foregoing purposes, including all powers granted under the LLC Act. The Company, the Member, any Manager (other than an Independent Manager), or any officer of the Company, acting singly or collectively, on behalf of the Company, may enter into and perform the Basic Documents and all registration statements, underwriting agreements, documents, agreements, certificates or financing statements contemplated thereby or related thereto, all without any further act, vote or approval of any Member, Manager or other Person, notwithstanding any other provision of this Agreement, the LLC Act, or other applicable law, rule or regulation.

Notwithstanding any other provision of this Agreement, the LLC Act or other applicable law, any Basic Document executed prior to the date hereof by any Member, Manager or officer on behalf of the Company is hereby ratified and approved in all respects. The authorization set forth in the two preceding sentences shall not be deemed a restriction on the power and authority of the Member or any Manager, including any Independent Manager, to enter into other agreements or documents on behalf of the Company as authorized pursuant to this Agreement and the LLC Act. The Company shall possess and may exercise all the powers and privileges granted by the LLC Act or by any other law or by this Agreement, together with any powers incidental thereto, insofar as such powers and privileges are incidental, necessary, suitable or convenient to the conduct, promotion or attainment of the business purposes or activities of the Company.

SECTION 1.06 Limited Liability Company Agreement; Certificate of Formation. This Agreement shall constitute a "limited liability company agreement" within the meaning of the LLC Act. **[_____]**, as an authorized person within the meaning of the LLC Act, has caused a certificate of formation of the Company to be executed and filed in the office of the Secretary of State on **[_____ __, 20__]** (such execution and filing being hereby ratified and approved in all respects). The existence of the Company as a separate legal entity shall continue until the cancellation of the Certificate of Formation of the Company as provided in the LLC Act.

SECTION 1.07 Separate Existence. Except for financial reporting purposes (to the extent required by generally accepted accounting principles) and for federal income tax purposes and, to the extent consistent with applicable state tax law, state income and franchise tax purposes, the Member and the Managers shall take all steps necessary to continue the identity of the Company as a separate legal entity and to make it apparent to third Persons that the Company is an entity with assets and liabilities distinct from those of the Member, Affiliates of the Member or any other Person, and that, the Company is not a division of any of the Affiliates of the Company or any other Person. In that regard, and without limiting the foregoing in any manner, the Company shall:

(a) maintain office space separate and clearly delineated from the office space of any Affiliate;

(b) maintain the assets of the Company in such a manner that it is not costly or difficult to segregate, identify or ascertain its individual assets from those of any other Person, including any Affiliate;

(c) maintain a separate telephone number;

(d) conduct all transactions with Affiliates on an arm's-length basis;

(e) not guarantee, become obligated for or pay the debts of any Affiliate or hold the credit of the Company out as being available to satisfy the obligations of any Affiliate or other Person (nor, except as contemplated in the Basic Documents, indemnify any Person for losses resulting therefrom), nor, except as contemplated in the Basic Documents, have any of its obligations guaranteed by any Affiliate or hold the Company out as

responsible for the debts of any Affiliate or other Person or for the decisions or actions with respect to the business and affairs of any Affiliate, nor seek or obtain credit or incur any obligation to any third party based upon the creditworthiness or assets of any Affiliate or any other Person (i.e. other than based on the assets of the Company) nor allow any Affiliate to do such things based on the credit of the Company;

(f) except as expressly otherwise permitted hereunder or under any of the Basic Documents, not permit the commingling or pooling of the Company's funds or other assets with the funds or other assets of any Affiliate;

(g) maintain separate deposit and other bank accounts and funds (separately identifiable from those of the Member or any other Person) to which no Affiliate has any access, which accounts shall be maintained in the name and, to the extent not inconsistent with applicable federal tax law, with the tax identification number of the Company;

(h) maintain full books of accounts and records (financial or other) and financial statements separate from those of its Affiliates or any other Person, prepared and maintained in accordance with generally accepted accounting principles (including, all resolutions, records, agreements or instruments underlying or regarding the transactions contemplated by the Basic Documents or otherwise) and audited annually by an independent accounting firm which shall provide such audit to the Indenture Trustee;

(i) pay its own liabilities out of its own funds, including fees and expenses of the Administrator pursuant to the Administration Agreement and the Servicer pursuant to any Servicing Agreement;

(j) not hire or maintain any employees, but shall compensate (either directly or through reimbursement of the Company's allocable share of any shared expenses) all consultants, agents and Affiliates, to the extent applicable, for services provided to the Company by such consultants, agents or Affiliates, in each case, from the Company's own funds;

(k) allocate fairly and reasonably the salaries of and the expenses related to providing the benefits of officers shared with the Member, any Special Member or any Manager;

(l) allocate fairly and reasonably any overhead shared with the Member, any Special Member or any Manager;

(m) pay from its own bank accounts for accounting and payroll services, rent, lease and other expenses (or the Company's allocable share of any such amounts provided by one or more other Affiliates) and not have such operating expenses (or the Company's allocable share thereof) paid by any Affiliates; provided, that the Member shall be permitted to pay the initial organization expenses of the Company and certain of the

expenses related to the transactions contemplated by the Basic Documents as provided therein;

(n) maintain adequate capitalization to conduct its business and affairs considering the Company's size and the nature of its business and intended purposes and, after giving effect to the transactions contemplated by the Basic Documents, refrain from engaging in a business for which its remaining property represents an unreasonably small capital;

(o) conduct all of the Company's business (whether in writing or orally) solely in the name of the Company through the Member and the Company's Managers, officers and agents and hold the Company out as an entity separate from any Affiliate;

(p) not make or declare any distributions of cash or property to the Member except in accordance with appropriate limited liability company formalities and only consistent with sound business judgment to the extent that it is permitted pursuant to the Basic Documents and not violative of any applicable law;

(q) otherwise practice and adhere to all limited liability company procedures and formalities to the extent required by this Agreement or all other appropriate constituent documents and the laws of its state of formation and all other appropriate jurisdictions;

(r) not appoint an Affiliate or any employee of an Affiliate as an agent of the Company, except as otherwise permitted in the Basic Documents (although such Persons can qualify as a Manager or as an officer of the Company);

(s) not acquire obligations or securities of or make loans or advances to or pledge its assets for the benefit of any Affiliate, the Member or any Affiliate of the Member (other than the Company);

(t) except as expressly provided in the Basic Documents, not permit the Member or any Affiliate to guarantee, pay or become liable for the debts of the Company nor permit any such Person to hold out its creditworthiness as being available to pay the liabilities and expenses of the Company nor, except for the indemnities in this Agreement and the Basic Documents, indemnify any Person for losses resulting therefrom;

(u) maintain separate minutes of the actions of the Member and the Managers, in their capacities as such, including actions with respect to the transactions contemplated by the Basic Documents;

(v) cause (i) all written and oral communications, including letters, invoices, purchase orders, and contracts, of the Company to be made solely in the name of the Company, (ii) the Company to have its own tax identification number (to the extent not inconsistent with applicable federal tax law), stationery, checks and business forms, separate from those of any Affiliate, (iii) all Affiliates not to use the stationery or business

forms of the Company, and cause the Company not to use the stationery or business forms of any Affiliate, and (iv) all Affiliates not to conduct business in the name of the Company, and cause the Company not to conduct business in the name of any Affiliate;

(w) direct creditors of the Company to send invoices and other statements of account of the Company directly to the Company and not to any Affiliate and cause the Affiliates to direct their creditors not to send invoices and other statements of accounts of such Affiliates to the Company;

(x) cause the Member to maintain as official records all resolutions, agreements, and other instruments underlying or regarding the transactions contemplated by the Basic Documents;

(y) disclose, and cause the Member to disclose, in its financial statements the effects of all transactions between the Member and the Company in accordance with generally accepted accounting principles, and in a manner which makes it clear that (i) the Company is a separate legal entity, (ii) the assets of the Company (including the Nuclear Asset-Recovery Property transferred to the Company pursuant to the Sale Agreement) are not assets of any Affiliate and are not available to pay creditors of any Affiliate and (iii) neither the Member nor any other Affiliate is liable or responsible for the debts of the Company;

(z) treat and cause the Member to treat the transfer of Nuclear Asset-Recovery Property from the Member to the Company as a sale under the Securitization Law;

(aa) except as described herein with respect to tax purposes and financial reporting, describe and cause each Affiliate to describe the Company, and hold the Company out as a separate legal entity and not as a division or department of any Affiliate, and promptly correct any known misunderstanding regarding the Company's identity separate from any Affiliate or any other Person;

(bb) so long as any of the Nuclear Asset-Recovery Bonds are outstanding, treat the Nuclear Asset-Recovery Bonds as debt for all purposes and specifically as debt of the Company, other than for financial reporting, state or federal regulatory or tax purposes;

(cc) solely for purposes of federal taxes and, to the extent consistent with applicable state, local and other tax law, solely for purposes of state, local and other taxes, so long as any of the Nuclear Asset-Recovery Bonds are outstanding, treat the Nuclear Asset-Recovery Bonds as indebtedness of the Member secured by the Nuclear Asset-Recovery Bond Collateral unless otherwise required by appropriate taxing authorities;

(dd) file its own tax returns, if any, as may be required under applicable law, to the extent (i) not part of a consolidated group filing a consolidated return or returns or (ii) not treated as a division or disregarded entity for tax purposes of another taxpayer, and pay any taxes so required to be paid under applicable law;

(ee) maintain its valid existence in good standing under the laws of the State of Delaware and maintain its qualification to do business under the laws of such other jurisdictions as its operations require;

(ff) not form, or cause to be formed, any subsidiaries;

(gg) comply with all laws applicable to the transactions contemplated by this Agreement and the Basic Documents; and

(hh) cause the Member to observe in all material respects all limited liability company procedures and formalities, if any, required by this Agreement, the laws of the State of Delaware and all other appropriate jurisdictions.

SECTION 1.08 Limitation on Certain Activities. Notwithstanding any other provisions of this Agreement, the Company, and the Member or Managers on behalf of the Company, shall not:

(a) engage in any business or activity other than as set forth in Article I hereof;

(b) without the affirmative vote of the Member and the affirmative vote of all of the Managers, including each Independent Manager, file a voluntary petition for relief under the Bankruptcy Code or similar law, consent to the institution of insolvency or bankruptcy proceedings against the Company or otherwise institute insolvency or bankruptcy proceedings with respect to the Company or take any company action in furtherance of any such filing or institution of a proceeding;

(c) without the affirmative vote of all Managers, including each Independent Manager, and then only to the extent permitted by the Basic Documents, convert, merge or consolidate with any other Person or sell all or substantially all of its assets or acquire all or substantially all of the assets or capital stock or other ownership interest of any other Person;

(d) take any action, file any tax return, or make any election inconsistent with the treatment of the Company, for purposes of federal income taxes and, to the extent consistent with applicable state tax law, state income and franchise tax purposes, as a disregarded entity that is not separate from the Member;

(e) incur any indebtedness or assume or guarantee any indebtedness of any Person (other than the indebtedness incurred under the Basic Documents);

(f) issue any bonds other than the Nuclear Asset-Recovery Bonds contemplated by the Basic Documents; or

(g) to the fullest extent permitted by law, without the affirmative vote of its Member and the affirmative vote of all Managers, including each Independent Manager, execute any dissolution, liquidation, or winding up of the Company.

So long as any of the Nuclear Asset-Recovery Bonds are outstanding, the Company and the Member shall give written notice to each applicable Rating Agency of any action described in clause (b), (c) or (g) of this Section 1.08 which is taken by or on behalf of the Company with the required affirmative vote of the Member and all Managers as therein described.

SECTION 1.09 No State Law Partnership. No provisions of this Agreement shall be deemed or construed to constitute a partnership (including a limited partnership) or joint venture, or the Member a partner or joint venturer of or with any Manager or the Company, for any purposes.

ARTICLE II

CAPITAL

SECTION 2.01 Initial Capital. The initial capital of the Company shall be the sum of cash contributed to the Company by the Member (the "Capital Contribution") in the amount set out opposite the name of the Member on Schedule A hereto, as amended from time to time and incorporated herein by this reference.

SECTION 2.02 Additional Capital Contributions. The assets of the Company are expected to generate a return sufficient to satisfy all obligations of the Company under this Agreement and the other Basic Documents and any other obligations of the Company. It is expected that no capital contributions to the Company will be necessary after the purchase of the Nuclear Asset-Recovery Property. On or prior to the date of issuance of the Nuclear Asset-Recovery Bonds, the Member shall make an additional contribution to the Company in an amount equal to at least 0.50% of the initial principal amount thereof or such greater amount as agreed to by the Member in connection with the issuance by the Company of the Nuclear Asset-Recovery Bonds, which amount the Company shall deposit into the Capital Subaccount established by the Indenture Trustee as provided in the Indenture. No capital contribution by the Member to the Company will be made for the purpose of mitigating losses on Nuclear Asset-Recovery Property that has previously been transferred to the Company, and all capital contributions shall be made in accordance with all applicable limited liability company procedures and requirements, including proper record keeping by the Member and the Company. Each capital contribution will be acknowledged by a written receipt signed by any one of the Managers. The Managers acknowledge and agree that, notwithstanding anything in this Agreement to the contrary, such additional contribution will be managed by an investment manager selected by the Indenture Trustee who shall invest such amounts only in investments eligible pursuant to the Basic Documents, and all income earned thereon shall be allocated or paid by the Indenture Trustee in accordance with the provisions of the Indenture.

SECTION 2.03 Capital Account. A Capital Account shall be established and maintained for the Member on the Company's books (the "Capital Account").

SECTION 2.04 Interest on Capital Account. Except for the Return on Invested Capital, no interest shall be paid or credited to the Member on its Capital Account or upon any undistributed profits left on deposit with the Company. Except as provided herein or by law, the Member shall have no right to demand or receive the return of its Capital Contribution.

ARTICLE III

ALLOCATIONS; BOOKS

SECTION 3.01 Allocations of Income and Loss.

(a) Book Allocations. The net income and net loss of the Company shall be allocated entirely to the Member.

(b) Tax Allocations. Because the Company is not making (and will not make) an election to be treated as an association taxable as a corporation under Section 301.7701-3(a) of the Treasury Regulations, and because the Company is a business entity that has a single owner and is not a corporation, it is expected to be disregarded as an entity separate from its owner for federal income tax purposes under Section 301.7701-3(b)(1) of the Treasury Regulations. Accordingly, all items of income, gain, loss, deduction and credit of the Company for all taxable periods will be treated for federal income tax purposes, and for state and local income and other tax purposes to the extent permitted by applicable law, as realized or incurred directly by the Member. To the extent not so permitted, all items of income, gain, loss, deduction and credit of the Company shall be allocated entirely to the Member as permitted by applicable tax law, and the Member shall pay (or indemnify the Company, the Indenture Trustee and each of their officers, managers, employees or agents for, and defend and hold harmless each such person from and against its payment of) any taxes levied or assessed upon all or any part of the Company's property or assets based on existing law as of the date hereof, including any sales, gross receipts, general corporation, personal property, privilege, franchise or license taxes (but excluding any taxes imposed as a result of a failure of such Person to properly withhold or remit taxes imposed with respect to payments on any Nuclear Asset-Recovery Bond). The Indenture Trustee (on behalf of the Secured Parties) shall be a third party beneficiary of the Member's obligations set forth in this Section 3.01, it being understood that Holders shall be entitled to enforce their rights against the Member under this Section 3.01 solely through a cause of action brought for their benefit by the Indenture Trustee.

SECTION 3.02 Company to be Disregarded for Tax Purposes. The Company shall comply with the applicable provisions of the Code and the applicable Treasury Regulations thereunder in the manner necessary to effect the intention of the parties that the Company be treated, for federal income tax purposes, as a disregarded entity that is not separate from the Member pursuant to Treasury Regulations Section 301.7701-1 et seq. and that the Company be

accorded such treatment until its dissolution pursuant to Article IX hereof and shall take all actions, and shall refrain from taking any action, required by the Code or Treasury Regulations thereunder in order to maintain such status of the Company. In addition, for federal income tax purposes, the Company may not claim any credit on, or make any deduction from the principal or premium, if any, or interest payable in respect of, the Nuclear Asset-Recovery Bonds (other than amounts properly withheld from such payments under the Code or other tax laws) or assert any claim against any present or former Holder by reason of the payment of the taxes levied or assessed upon any part of the Nuclear Asset-Recovery Bond Collateral.

SECTION 3.03 Books of Account. At all times during the continuance of the Company, the Company shall maintain or cause to be maintained full, true, complete and correct books of account in accordance with generally accepted accounting principles, using the fiscal year and taxable year of the Member. In addition, the Company shall keep all records required to be kept pursuant to the LLC Act.

SECTION 3.04 Access to Accounting Records. All books and records of the Company shall be maintained at any office of the Company or at the Company's principal place of business, and the Member, and its duly authorized representative, shall have access to them at such office of the Company and the right to inspect and copy them at reasonable times.

SECTION 3.05 Annual Tax Information. The Managers shall cause the Company to deliver to the Member all information necessary for the preparation of the Member's federal income tax return.

SECTION 3.06 Internal Revenue Service Communications. The Member shall communicate and negotiate with the Internal Revenue Service on any federal tax matter on behalf of the Member and the Company.

ARTICLE IV

MEMBER

SECTION 4.01 Powers. Subject to the provisions of this Agreement and the LLC Act, all powers shall be exercised by or under the authority of, and the business and affairs of the Company shall be controlled by, the Member pursuant to Section 4.04. The Member may delegate any or all such powers to the Managers. Without prejudice to such general powers, but subject to the same limitations, it is hereby expressly declared that the Member shall have the following powers:

(a) To select and remove the Managers and all officers and agents of the Company, prescribe such powers and duties for them as may be consistent with the LLC Act and other applicable law and this Agreement, fix their compensation, and require from them security for faithful service; provided, that, except as provided in Section 7.06, at all times the Company shall have at least two Independent Managers. Prior to issuance of any Nuclear Asset-Recovery Bonds, the Member shall appoint at least one Independent Manager. An "Independent Manager"

means an individual who (1) has prior experience as an independent director, independent manager or independent member, (2) is employed by a nationally-recognized company that provides professional Independent Managers and other corporate services in the ordinary course of its business, (3) is duly appointed as an Independent Manager and (4) is not and has not been for at least five years from the date of his or her or its appointment, and will not while serving as Independent Manager, be any of the following:

(i) a member, partner, equity holder, manager, director, officer or employee of the Company or any of its equityholders or Affiliates (other than as an independent director, independent manager or special member of the Company or an Affiliate of the Company that is not in the direct chain of ownership of the Company and that is required by a creditor to be a single purpose bankruptcy remote entity); provided, that the indirect or beneficial ownership of stock of the Member or its Affiliates through a mutual fund or similar diversified investment vehicle with respect to which the owner does not have discretion or control over the investments held by such diversified investment vehicle shall not preclude such owner from being an Independent Manager;

(ii) a creditor, supplier or service provider (including provider of professional services) to the Company, the Member or any of their respective equityholders or Affiliates (other than a nationally-recognized company that routinely provides professional Independent Managers and other corporate services to the Company, the Member or any of its Affiliates in the ordinary course of its business);

(iii) a family member of any such member, partner, equityholder, manager, director, officer, employee, creditor, supplier or service provider; or

(iv) a Person that controls (whether directly, indirectly or otherwise) any of (i), (ii) or (iii) above.

A natural person who otherwise satisfies the foregoing definition and satisfies subparagraph (i) by reason of being the independent manager or independent director of a "special purpose entity" affiliated with the Company shall be qualified to serve as an Independent Manager of the Company, provided that the fees that such individual earns from serving as an independent manager or independent director of affiliates of the Company in any given year constitute in the aggregate less than five percent (5%) of such individual's annual income for that year. For purposes of this paragraph, a "special purpose entity" is an entity, whose organizational documents contain restrictions on its activities and impose requirements intended to preserve such entity's separateness that are substantially similar to the Special Purpose Provisions (as hereinafter defined) of this Agreement.

The Company shall pay each Independent Manager annual fees totaling not more than **[$5,000]** per year (the "Independent Manager Fee"). Such fees shall be determined without regard to the income of the Company, shall not be deemed to constitute distributions to the recipient of any profit, loss or capital of the Company and shall be considered a fixed Operating Expense of the Company. Each Manager, including each Independent Manager, is hereby deemed to be a "manager" within the meaning of Section 18-101(10) of the LLC Act.

Promptly following any resignation or replacement of any Independent Manager, the Member shall give written notice to each applicable Rating Agency of any such resignation or replacement.

(b) Subject to Sections 1.07 and 1.08 and Article VII hereof, to conduct, manage and control the affairs and business of the Company, and to make such rules and regulations therefor consistent with the LLC Act and other applicable law and this Agreement.

(c) To change the registered agent and office of the Company in Delaware from one location to another; to fix and locate from time to time one or more other offices of the Company; and to designate any place within or without the State of Delaware for the conduct of the business of the Company.

SECTION 4.02 Compensation of Member. To the extent permitted by applicable law, the Company shall have authority to reimburse the Member for out-of-pocket expenses incurred by the Member in connection with its service to the Company. It is understood that the compensation paid to the Member under the provisions of this Section 4.02 shall be determined without regard to the income of the Company, shall not be deemed to constitute distributions to the recipient of any profit, loss or capital of the Company and shall be considered an Ongoing Financing Cost of the Company subject to the limitations on such expenses set forth in the Financing Order.

SECTION 4.03 Other Ventures. Notwithstanding any duties (including fiduciary duties) otherwise existing at law or in equity, it is expressly agreed that the Member, the Managers and any Affiliates, officers, directors, managers, stockholders, partners or employees of the Member, may engage in other business ventures of any nature and description, whether or not in competition with the Company, independently or with others, and the Company shall not have any rights in and to any independent venture or activity or the income or profits derived therefrom.

SECTION 4.04 Actions by the Member. All actions of the Member may be taken by written resolution of the Member which shall be signed on behalf of the Member by an authorized officer of the Member and filed with the records of the Company.

ARTICLE V

OFFICERS

SECTION 5.01 Designation; Term; Qualifications.

(a) Officers. Subject to the last sentence of this Section 5.01(a), the Managers may, from time to time, designate one or more Persons to be officers of the Company. Any officer so designated shall have such title and authority and perform such duties as the Managers may, from time to time, delegate to them. Each officer shall hold office for the term for which such officer is designated and until its successor shall be duly designated and shall qualify or until its death, resignation or removal as provided in this Agreement. Any Person may hold any number of offices. No officer need be a Manager, the Member, a Delaware resident, or a United States citizen. The Member hereby appoints the Persons identified on Schedule C to be the officers of the Company.

(b) President. The President shall be the chief executive officer of the Company, shall preside at all meetings of the Managers, shall be responsible for the general and active management of the business of the Company and shall see that all orders and resolutions of the Managers are carried into effect. The President or any other officer authorized by the President or the Managers may execute all contracts, except: (i) where required or permitted by law or this Agreement to be otherwise signed and executed, including Section 1.08; and (ii) where signing and execution thereof shall be expressly delegated by the Managers to some other officer or agent of the Company.

(c) Vice President. In the absence of the President or in the event of the President's inability to act, the Vice President, if any (or in the event there be more than one Vice President, the Vice Presidents in the order designated by the Managers, or in the absence of any designation, then in the order of their election), shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. The Vice Presidents, if any, shall perform such other duties and have such other powers as the Managers may from time to time prescribe.

(d) Secretary and Assistant Secretary. The Secretary shall be responsible for filing legal documents and maintaining records for the Company. The Secretary shall attend all meetings of the Managers and record all the proceedings of the meetings of the Company and of the Managers in a book to be kept for that purpose and shall perform like duties for the standing committees when required. The Secretary shall give, or shall cause to be given, notice of all meetings of the Member, if any, and special meetings of the Managers, and shall perform such other duties as may be prescribed by the Managers or the President, under whose supervision the Secretary shall serve. The Assistant Secretary, or if there be more than one, the Assistant Secretaries in the order determined by the Managers (or if there be no such determination, then in order of their designation), shall, in the absence of the Secretary or in the event of the Secretary's inability to act, perform the duties and exercise the powers of the Secretary and shall perform such other duties and have such other powers as the Managers may from time to time prescribe.

(e) Treasurer and Assistant Treasurer. The Treasurer shall have the custody of the Company funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Company and shall deposit all moneys and other valuable effects in the name and to the credit of the Company in such depositories as may be designated by

the Manager. The Treasurer shall disburse the funds of the Company as may be ordered by the Manager, taking proper vouchers for such disbursements, and shall render to the President and to the Managers, at its regular meetings or when the Managers so require, an account of all of the Treasurer's transactions and of the financial condition of the Company. The Assistant Treasurer, or if there shall be more than one, the Assistant Treasurers in the order determined by the Managers (or if there be no such determination, then in the order of their designation), shall, in the absence of the Treasurer or in the event of the Treasurer's inability to act, perform the duties and exercise the powers of the Treasurer and shall perform such other duties and have such other powers as the Managers may from time to time prescribe.

(f) Officers as Agents. The officers of the Company, to the extent their powers as set forth in this Agreement or otherwise vested in them by action of the Managers are not inconsistent with this Agreement, are agents of the Company for the purpose of the Company's business and, subject to Section 1.08, the actions of the officers taken in accordance with such powers shall bind the Company.

(g) Duties of Managers and Officers. Except to the extent otherwise provided herein, each Manager (other than the Independent Managers) and officer of the Company shall have a fiduciary duty of loyalty and care similar to that of directors and officers of business corporations organized under the General Corporation Law of the State of Delaware.

SECTION 5.02 Removal and Resignation. Any officer of the Company may be removed as such, with or without cause, by the Managers at any time. Any officer of the Company may resign as such at any time upon written notice to the Company. Such resignation shall be made in writing and shall take effect at the time specified therein or, if no time is specified therein, at the time of its receipt by the Managers.

SECTION 5.03 Vacancies. Any vacancy occurring in any office of the Company may be filled by the Managers.

SECTION 5.04 Compensation. The compensation, if any, of the officers of the Company shall be fixed from time to time by the Managers. Such compensation shall be determined without regard to the income of the Company, shall not be deemed to constitute distributions to the recipient of any profit, loss or capital of the Company and shall be considered a fixed Operating Expense of the Company subject to the limitations on such expenses set forth in the Financing Order.

ARTICLE VI

MEMBERSHIP INTEREST

SECTION 6.01 General. "Membership Interest" means the limited liability company interest of the Member in the Company. The Membership Interest constitutes personal property and, subject to Section 6.06, shall be freely transferable and assignable in whole but not in

part upon registration of such transfer and assignment on the books of the Company in accordance with the procedures established for such purpose by the Managers of the Company.

SECTION 6.02 Distributions. The Member shall be entitled to receive, out of the assets of the Company legally available therefor, distributions payable in cash in such amounts, if any, as the Managers shall declare. Notwithstanding any provision to the contrary contained in this Agreement, the Company shall not make a distribution to the Member on account of its interest in the Company if such distribution would violate the LLC Act or any other applicable law or any Basic Document.

SECTION 6.03 Rights on Liquidation, Dissolution or Winding Up.

(a) In the event of any liquidation, dissolution or winding up of the Company, the Member shall be entitled to all remaining assets of the Company available for distribution to the Member after satisfaction (whether by payment or reasonable provision for payment) of all liabilities, debts and obligations of the Company.

(b) Neither the sale of all or substantially all of the property or business of the Company, nor the merger or consolidation of the Company into or with another Person or other entity, shall be deemed to be a dissolution, liquidation or winding up, voluntary or involuntary, for the purpose of this Section 6.03.

SECTION 6.04 Redemption. The Membership Interest shall not be redeemable.

SECTION 6.05 Voting Rights. Subject to the terms of this Agreement, the Member shall have the sole right to vote on all matters as to which members of a limited liability company shall be entitled to vote pursuant to the LLC Act and other applicable law.

SECTION 6.06 Transfer of Membership Interests.

(a) The Member may transfer its Membership Interest, in whole but not in part, but the transferee shall not be admitted as a Member except in accordance with Section 6.07. Until the transferee is admitted as a Member, the Member shall continue to be the sole member of the Company (subject to Section 1.02) and to be entitled to exercise any rights or powers of a Member of the Company with respect to the Membership Interest transferred.

(b) To the fullest extent permitted by law, any purported transfer of any Membership Interest in violation of the provisions of this Agreement shall be wholly void and shall not effectuate the transfer contemplated thereby. Notwithstanding anything contained herein to the contrary and to the fullest extent permitted by law, the Member may not transfer any Membership Interest in violation of any provision of this Agreement or in violation of any applicable federal or state securities laws.

SECTION 6.07 Admission of Transferee as Member.

(a) A transferee of a Membership Interest desiring to be admitted as a Member must execute a counterpart of, or an agreement adopting, this Agreement and, except as permitted by paragraph (b) below, shall not be admitted without unanimous affirmative vote of the Managers, which vote must include the affirmative vote of each Independent Manager. Upon admission of the transferee as a Member, the transferee shall have the rights, powers and duties and shall be subject to the restrictions and liabilities of the Member under this Agreement and the LLC Act. The transferee shall also be liable, to the extent of the Membership Interest transferred, for the unfulfilled obligations, if any, of the transferor Member to make capital contributions to the Company, but shall not be obligated for liabilities unknown to the transferee at the time such transferee was admitted as a Member and that could not be ascertained from this Agreement. Except as set forth in paragraph (b) below, whether or not the transferee of a Membership Interest becomes a Member, the Member transferring the Membership Interest is not released from any liability to the Company under this Agreement or the LLC Act.

(b) The approval of the Managers, including each Independent Manager, shall not be required for the transfer of the Membership Interest from the Member to any successor pursuant to Section 5.02 of the Sale Agreement or the admission of such Person as a Member. Once the transferee of a Membership Interest pursuant to this paragraph (b) becomes a Member, the prior Member shall cease to be a member of the Company and shall be released from any liability to the Company under this Agreement and the LLC Act.

ARTICLE VII

MANAGERS

SECTION 7.01 Managers.

(a) Subject to Sections 1.07 and 1.08, the business and affairs of the Company shall be managed by or under the direction of two or more Managers designated by the Member. Subject to the terms of this Agreement, the Member may determine at any time in its sole and absolute discretion the number of Managers. Subject in all cases to the terms of this Agreement, the authorized number of Managers may be increased or decreased by the Member at any time in its sole and absolute discretion, upon notice to all Managers; provided, that, except as provided in Section 7.06, at all times the Company shall have at least one Independent Manager. The initial number of Managers shall be three, one of which shall be an Independent Manager. Each Manager designated by the Member shall hold office until a successor is elected and qualified or until such Manager's earlier death, resignation, expulsion or removal. Each Manager shall execute and deliver the Management Agreement in the form attached hereto as Exhibit A. Managers need not be a Member. The initial Managers designated by the Member are listed on Schedule B hereto.

(b) Each Manager shall be designated by the Member and shall hold office for the term for which designated and until a successor has been designated.

(c) The Managers shall be obliged to devote only as much of their time to the Company's business as shall be reasonably required in light of the Company's business and

objectives. Subject to Section 7.02, a Manager shall perform his or her duties as a Manager in good faith, in a manner he or she reasonably believes to be in the best interests of the Company, and with such care as an ordinarily prudent Person in a like position would use under similar circumstances.

(d) Except as otherwise provided in this Agreement, the Managers shall act by the affirmative vote of a majority of the Managers. Each Manager shall have the authority to sign duly authorized agreements and other instruments on behalf of the Company without the joinder of any other Manager.

(e) Subject to the terms of this Agreement, any action may be taken by the Managers without a meeting and without prior notice if authorized by the written consent of a majority of the Managers (or such greater number as is required by this Agreement), which written consent shall be filed with the records of the Company.

(f) Every Manager is an agent of the Company for the purpose of its business, and the act of every Manager, including the execution in the Company name of any instrument for carrying on the business of the Company, binds the Company, unless such act is in contravention of this Agreement or unless the Manager so acting otherwise lacks the authority to act for the Company and the Person with whom he or she is dealing has knowledge of the fact that he or she has no such authority.

(g) To the extent permitted by law, the Managers shall not be personally liable for the Company's debts, obligations or liabilities.

SECTION 7.02 Powers of the Managers. Subject to the terms of this Agreement, the Managers shall have the right and authority to take all actions which the Managers deem incidental, necessary, suitable or convenient for the day-to-day management and conduct of the Company's business.

Each Independent Manager may not delegate his, hers or its duties, authorities or responsibilities hereunder. If any Independent Manager resigns, dies or becomes incapacitated, or such position is otherwise vacant, no action requiring the unanimous affirmative vote of the Managers shall be taken until a successor Independent Manager is appointed by the Member and qualifies and approves such action.

To the fullest extent permitted by law, including Section 18-1101(c) of the LLC Act, and notwithstanding any duty otherwise existing at law or in equity, the Independent Managers shall consider only the interests of the Company, including its creditors, in acting or otherwise voting on the matters referred to in Section 1.08. Except for duties to the Company as set forth in the immediately preceding sentence (including duties to the Member and the Company's creditors solely to the extent of their respective economic interests in the Company but excluding (i) all other interests of the Member, (ii) the interests of other Affiliates of the Company, and (iii) the interests of any group of Affiliates of which the Company is a part), the Independent Managers shall not have any fiduciary duties to the Member, any Manager or any other Person

bound by this Agreement; provided, however, the foregoing shall not eliminate the implied contractual covenant of good faith and fair dealing. To the fullest extent permitted by law, including Section 18-1101(e) of the LLC Act, an Independent Manager shall not be liable to the Company, the Member or any other Person bound by this Agreement for breach of contract or breach of duties (including fiduciary duties), unless the Independent Manager acted in bad faith or engaged in willful misconduct.

No Independent Manager shall at any time serve as trustee in bankruptcy for any Affiliate of the Company.

Subject to the terms of this Agreement, the Managers may exercise all powers of the Company and do all such lawful acts and things as are not prohibited by the LLC Act, other applicable law or this Agreement directed or required to be exercised or done by the Member. All duly authorized instruments, contracts, agreements and documents providing for the acquisition or disposition of property of the Company shall be valid and binding on the Company if executed by one or more of the Managers.

Notwithstanding the terms of Section 7.01, 7.07 or 7.09 or any provision of this Agreement to the contrary, (x) no meeting or vote with respect to any action described in clause (b), (c) or (g) of Section 1.08 or any amendment to any of the Special Purpose Provisions (as hereinafter defined) shall be conducted unless each Independent Manager is present and (y) neither the Company nor the Member, any Manager or any officer on behalf of the Company shall (i) take any action described in clause (b), (c) or (g) of Section 1.08 or (ii) adopt any amendment to any of the Special Purpose Provisions unless each Independent Manager has consented thereto. The vote or consent of an Independent Manager with respect to any such action or amendment shall not be dictated by the Member or any other Manager or officer of the Company.

SECTION 7.03 Compensation. To the extent permitted by applicable law, the Company may reimburse any Manager, directly or indirectly, for out-of-pocket expenses incurred by such Manager in connection with its services rendered to the Company. Such compensation shall be determined by the Managers without regard to the income of the Company, shall not be deemed to constitute distributions to the recipient of any profit, loss or capital of the Company and shall be considered a fixed Operating Expense of the Company subject to the limitations on such expenses set forth in the Financing Order.

SECTION 7.04 Removal of Managers.

(a) Subject to Section 4.01, the Member may remove any Manager with or without cause at any time.

(b) Subject to Sections 4.01 and 7.05, any removal of a Manager shall become effective on such date as may be specified by the Member and in a notice delivered to any remaining Managers or the Manager designated to replace the removed Manager (except that it shall not be effective on a date earlier than the date such notice is delivered to the remaining Managers or the Manager designated to replace the removed Manager). Should a Manager be

removed who is also the Member, the Member shall continue to participate in the Company as the Member and receive its share of the Company's income, gains, losses, deductions and credits pursuant to this Agreement.

SECTION 7.05 Resignation of Manager. A Manager other than an Independent Manager may resign as a Manager at any time by thirty (30) days' prior notice to the Member. An Independent Manager may not withdraw or resign as a Manager of the Company without the consent of the Member. No resignation or removal of an Independent Manager, and no appointment of a successor Independent Manager, shall be effective until such successor (i) shall have accepted his or her appointment as an Independent Manager by a written instrument, which may be a counterpart signature page to the Management Agreement in the form attached hereto as Exhibit A, and (ii) shall have executed a counterpart to this Agreement.

SECTION 7.06 Vacancies. Subject to Section 4.01, any vacancies among the Managers may be filled by the Member. In the event of a vacancy in the position of Independent Manager, the Member shall, as soon as practicable, appoint a successor Independent Manager. Notwithstanding anything to the contrary contained in this Agreement, no Independent Manager shall be removed or replaced unless the Company provides the Indenture Trustee with no less than two (2) Business Days' prior written notice of (a) any proposed removal of such Independent Manager, and (b) the identity of the proposed replacement Independent Manager, together with a certification that such replacement satisfies the requirements for an Independent Manager set forth in this Agreement.

SECTION 7.07 Meetings of the Managers. The Managers may hold meetings, both regular and special, within or outside the State of Delaware. Regular meetings of the Managers may be held without notice at such time and at such place as shall from time to time be determined by the Managers. Special meetings of the Managers may be called by the President on not less than one day's notice to each Manager by telephone, facsimile, mail, telegram or any other means of communication, and special meetings shall be called by the President or Secretary in like manner and with like notice upon the written request of any one or more of the Managers.

SECTION 7.08 Electronic Communications. Managers, or any committee designated by the Managers, may participate in meetings of the Managers, or any committee, by means of telephone conference or similar communications equipment that allows all Persons participating in the meeting to hear each other, and such participation in a meeting shall constitute presence in Person at the meeting. If all the participants are participating by telephone conference or similar communications equipment, the meeting shall be deemed to be held at the principal place of business of the Company.

SECTION 7.09 Committees of Managers.

(a) The Managers may, by resolution passed by a majority of the Managers, designate one or more committees, each committee to consist of one or more of the Managers. The Managers may designate one or more Managers as alternate members of

any committee, who may replace any absent or disqualified member at any meeting of the committee.

(b) In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not such members constitute a quorum, may unanimously appoint another Manager to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Managers, shall have and may exercise all the powers and authority of the Managers in the management of the business and affairs of the Company. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Managers. Each committee shall keep regular minutes of its meetings and report the same to the Managers when required.

SECTION 7.10 Limitations on Independent Managers. All right, power and authority of each Independent Manager shall be limited to the extent necessary to exercise those rights and perform those duties specifically set forth in this Agreement.

ARTICLE VIII

EXPENSES

SECTION 8.01 Expenses. Except as otherwise provided in this Agreement or the other Basic Documents, the Company shall be responsible for all expenses and the allocation thereof including without limitation:

(a) all expenses incurred by the Member or its Affiliates in organizing the Company;

(b) all expenses related to the business of the Company and all routine administrative expenses of the Company, including the maintenance of books and records of the Company, and the preparation and dispatch to the Member of checks, financial reports, tax returns and notices required pursuant to this Agreement;

(c) all expenses incurred in connection with any litigation or arbitration involving the Company (including the cost of any investigation and preparation) and the amount of any judgment or settlement paid in connection therewith;

(d) all expenses for indemnity or contribution payable by the Company to any Person;

(e) all expenses incurred in connection with the collection of amounts due to the Company from any Person;

(f) all expenses incurred in connection with the preparation of amendments to this Agreement;

(g) all expenses incurred in connection with the liquidation, dissolution and winding up of the Company; and

(h) all expenses otherwise allocated in good faith to the Company by the Managers.

ARTICLE IX

PERPETUAL EXISTENCE; DISSOLUTION, LIQUIDATION AND WINDING-UP

SECTION 9.01 Existence.

(a) The Company shall have a perpetual existence. So long as any of the Nuclear Asset-Recovery Bonds are outstanding, the Member shall not be entitled to consent to the dissolution of the Company.

(b) Notwithstanding any provision of this Agreement, the Bankruptcy of the Member or Special Member will not cause such Member or Special Member, respectively, to cease to be a member of the Company, and upon the occurrence of such an event, the business of the Company shall continue without dissolution. For purposes of this Section 9.01(b), "Bankruptcy" means, with respect to any Person (A) if such Person (i) makes an assignment for the benefit of creditors, (ii) files a voluntary petition in bankruptcy, (iii) is adjudged a bankrupt or insolvent, or has entered against it an order for relief, in any bankruptcy or insolvency proceedings, (iv) files a petition or answer seeking for itself any reorganization, arrangement, composition, readjustment, liquidation or similar relief under any statute, law or regulation, (v) files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against it in any proceeding of this nature, or (vi) seeks, consents to or acquiesces in the appointment of a trustee, receiver or liquidator of the Person or of all or any substantial part of its properties, or (B) if 120 days after the commencement of any proceeding against the Person seeking reorganization, arrangement, composition, readjustment, liquidation or similar relief under any statute, law or regulation, if the proceeding has not been dismissed or if within 90 days after the appointment without such Person's consent or acquiescence of a trustee, receiver or liquidator of such Person or of all or any substantial part of its properties, the appointment is not vacated or stayed, or within 90 days after the expiration of any such stay, the appointment is not vacated. The foregoing definition of "Bankruptcy" is intended to replace and shall supersede and replace the definition of "Bankruptcy" set forth in Sections 18-101(1) and 18-304 of the LLC Act. Upon the occurrence of any event that causes the last remaining member of the Company to cease to be a member of the Company or that causes the Member to cease to be a member of the Company (other than upon continuation of the Company without dissolution upon an assignment by the Member of all of its limited liability company interest in the Company and the admission of the transferee pursuant to Sections 6.06 and 6.07), to the fullest extent permitted by law, the personal representative of such member is hereby authorized to, and shall, within ninety (90) days after the occurrence of the event

that terminated the continued membership of such member in the Company, agree in writing (i) to continue the Company and (ii) to the admission of the personal representative or its nominee or designee, as the case may be, as a substitute member of the Company, effective as of the occurrence of the event that terminated the continued membership of the last remaining member of the Company or the Member in the Company.

SECTION 9.02 Dissolution. The Company shall be dissolved and its affairs shall be wound up upon the occurrence of the earliest of the following events:

(a) subject to Section 1.08, the election to dissolve the Company made in writing by the Member and each Manager, including each Independent Manager, as permitted under the Basic Documents and after the discharge in full of the Nuclear Asset-Recovery Bonds;

(b) the termination of the legal existence of the last remaining member of the Company or the occurrence of any event that causes the last remaining member of the Company to cease to be a member of the Company unless the business of the Company is continued without dissolution in a manner permitted by the LLC Act or this Agreement; or

(c) the entry of a decree of judicial dissolution of the Company pursuant to Section 18-802 of the LLC Act.

SECTION 9.03 Accounting. In the event of the dissolution, liquidation and winding-up of the Company, a proper accounting shall be made of the Capital Account of the Member and of the net income or net loss of the Company from the date of the last previous accounting to the date of dissolution.

SECTION 9.04 Certificate of Cancellation. As soon as possible following the occurrence of any of the events specified in Section 9.02 and the completion of the winding up of the Company, the Person winding up the business and affairs of the Company, as an authorized person, shall cause to be executed a Certificate of Cancellation of the Certificate of Formation and file the Certificate of Cancellation of the Certificate of Formation as required by the LLC Act.

SECTION 9.05 Winding Up. Upon the occurrence of any event specified in Section 9.02, the Company shall continue solely for the purpose of winding up its affairs in an orderly manner, liquidating its assets, and satisfying the claims of its creditors. The Member, or if there is no Member, the Managers, shall be responsible for overseeing the winding up and liquidation of the Company, shall take full account of the liabilities of the Company and its assets, shall either cause its assets to be sold or distributed, and if sold as promptly as is consistent with obtaining the fair market value thereof, shall cause the proceeds therefrom, to the extent sufficient therefor, to be applied and distributed as provided in Section 9.06.

SECTION 9.06 Order of Payment of Liabilities Upon Dissolution. After determining that all debts and liabilities of the Company, including all contingent, conditional or unmatured liabilities of the Company, in the process of winding-up, including, without limitation,

debts and liabilities to the Member in the event it is a creditor of the Company to the extent otherwise permitted by law, have been paid or adequately provided for, the remaining assets shall be distributed in cash or in kind to the Member.

SECTION 9.07 Limitations on Payments Made in Dissolution. Except as otherwise specifically provided in this Agreement, the Member shall only be entitled to look solely to the assets of Company for the return of its positive Capital Account balance and shall have no recourse for its Capital Contribution and/or share of net income (upon dissolution or otherwise) against any Manager.

SECTION 9.08 Limitation on Liability. Except as otherwise provided by the LLC Act and except as otherwise characterized for tax and financial reporting purposes, the debts, obligations and liabilities of the Company, whether arising in contract, tort or otherwise, shall be solely the debts, obligations and liabilities of the Company, and no Member or Manager shall be obligated personally for any such debt, obligation or liability of the Company solely by reason of being a Member or a Manager.

ARTICLE X

INDEMNIFICATION

SECTION 10.01 Indemnity. Subject to the provisions of Section 10.04 hereof, to the fullest extent permitted by law, the Company shall indemnify any Person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, except an action by or in the right of the Company, by reason of the fact that such Person is or was a Manager, Member, officer, controlling Person, legal representative or agent of the Company, or is or was serving at the request of the Company as a member, manager, director, officer, partner, shareholder, controlling Person, legal representative or agent of another limited liability company, partnership, corporation, joint venture, trust or other enterprise, against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by such Person in connection with the action, suit or proceeding if such Person acted in good faith and in a manner which such Person reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to a criminal action or proceeding, had no reasonable cause to believe such Person's conduct was unlawful; provided that such Person shall not be entitled to indemnification if such judgment, penalty, fine or other expense was directly caused by such Person's fraud, gross negligence or willful misconduct or, in the case of an Independent Manager, bad faith or willful misconduct.

SECTION 10.02 Indemnity for Actions By or In the Right of the Company. Subject to the provisions of Section 10.04 hereof, to the fullest extent permitted by law, the Company shall indemnify any Person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the rights of the Company to procure a judgment in its favor by reason of the fact that such Person is or was a Member, Manager, officer, controlling Person, legal representative or agent of the Company, or is or was serving at the

request of the Company as a member, manager, director, officer, partner, shareholder, controlling Person, legal representative or agent of another limited liability company, corporation, partnership, joint venture, trust or other enterprise, against expenses, including amounts paid in settlement and attorneys' fees actually and reasonably incurred by such Person in connection with the defense or settlement of the actions or suit if such Person acted in good faith and in a manner which such Person reasonably believed to be in or not opposed to the best interests of the Company; provided that such Person shall not be entitled to indemnification if such judgment, penalty, fine or other expense was directly caused by such Person's fraud, gross negligence or willful misconduct or, in the case of an Independent Manager, bad faith or willful misconduct. Indemnification may not be made for any claim, issue or matter as to which such Person has been adjudged by a court of competent jurisdiction, after exhaustion of all appeals therefrom, to be liable to the Company or for amounts paid in settlement to the Company, unless and only to the extent that the court in which the action or suit was brought or other court of competent jurisdiction determines upon application that in view of all the circumstances of the case, the Person is fairly and reasonably entitled to indemnity for such expenses as the court deems proper.

SECTION 10.03 Indemnity If Successful. To the fullest extent permitted by law, the Company shall indemnify any Person who is or was a Manager, Member, officer, controlling Person, legal representative or agent of the Company, or is or was serving at the request of the Company as a member, manager, director, officer, partner, shareholder, controlling Person, legal representative or agent of another limited liability company, corporation, partnership, joint venture, trust or other enterprise against expenses, including reasonable attorneys' fees, actually and reasonably incurred by him or her in connection with the defense of any action, suit or proceeding referred to in Sections 10.01 and 10.02 or in defense of any claim, issue or matter therein, to the extent that such Person has been successful on the merits.

SECTION 10.04 Expenses. Any indemnification under Sections 10.01 and 10.02, as well as the advance payment of expenses permitted under Section 10.05 unless ordered by a court or advanced pursuant to Section 10.05 below, must be made by the Company only as authorized in the specific case upon a determination that indemnification of the Manager, Member, officer, controlling Person, legal representative or agent is proper in the circumstances. The determination must be made:

(a) by the Member if the Member was not a party to the act, suit or proceeding; or

(b) if the Member was a party to the act, suit or proceeding by independent legal counsel in a written opinion.

SECTION 10.05 Advance Payment of Expenses. The expenses of each Person who is or was a Manager, Member, officer, controlling Person, legal representative or agent, or is or was serving at the request of the Company as a member, manager, director, officer, partner, shareholder, controlling Person, legal representative or agent of another limited liability company, corporation, partnership, joint venture, trust or other enterprise, incurred in defending a civil or

criminal action, suit or proceeding may be paid by the Company as they are incurred and in advance of the final disposition of the action, suit or proceeding, upon receipt of an undertaking by or on behalf of such Person to repay the amount if it is ultimately determined by a court of competent jurisdiction that such Person is not entitled to be indemnified by the Company. The provisions of this Section 10.05 shall not affect any rights to advancement of expenses to which personnel other than the Member or the Managers (other than each Independent Manager) may be entitled under any contract or otherwise by law.

SECTION 10.06 Other Arrangements Not Excluded. The indemnification and advancement of expenses authorized in or ordered by a court pursuant to this Article X:

(a) does not exclude any other rights to which a Person seeking indemnification or advancement of expenses may be entitled under any agreement, decision of the Member, consent or action of the Managers, or otherwise, for either an action of any Person who is or was a Manager, Member, officer, controlling Person, legal representative or agent, or is or was serving at the request of the Company as a member, manager, director, officer, partner, shareholder, controlling Person, legal representative or agent of another limited liability company, corporation, partnership, joint venture, trust or other enterprise, in the official capacity of such Person or an action in another capacity while holding such position, except that indemnification and advancement, unless ordered by a court pursuant to Section 10.05 above, may not be made to or on behalf of such Person if a final adjudication established that its acts or omissions involved intentional misconduct, fraud or a knowing violation of the law and were material to the cause of action; and

(b) continues for a Person who has ceased to be a Member, Manager, officer, legal representative or agent and inures to the benefit of the successors, heirs, executors and administrators of such a Person.

ARTICLE XI

MISCELLANEOUS PROVISIONS

SECTION 11.01 No Bankruptcy Petition; Dissolution.

(a) To the fullest extent permitted by law, the Member, each Special Member and each Manager hereby covenant and agree (or shall be deemed to have hereby covenanted and agreed) that, prior to the date which is one year and one day after the termination of the Indenture and the payment in full of the Nuclear Asset-Recovery Bonds and any other amounts owed under the Indenture, it will not acquiesce, petition or otherwise invoke or cause the Company to invoke the process of any court or Governmental Authority for the purpose of commencing or sustaining an involuntary case against the Company under any federal or state bankruptcy, insolvency or similar law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of the Company or any substantial part of the property of the Company, or ordering the winding up or liquidation of the affairs of the Company; provided, however, that nothing in this Section 11.01 shall constitute a waiver of any right to indemnification, reimbursement or other

payment from the Company pursuant to this Agreement. This Section 11.01 is not intended to apply to the filing of a voluntary bankruptcy petition on behalf of the Company which is governed by Section 1.08 of this Agreement.

(b) To the fullest extent permitted by law, the Member, each Special Member and each Manager hereby covenant and agree (or shall be deemed to have hereby covenanted and agreed) that, until the termination of the Indenture and the payment in full of the Nuclear Asset-Recovery Bonds and any other amounts owed under the Indenture, the Member, such Special Member and such Manager will not consent to, or make application for, or institute or maintain any action for, the dissolution of the Company under Section 18-801 or 18-802 of the LLC Act or otherwise.

(c) In the event that the Member, any Special Member or any Manager takes action in violation of this Section 11.01, the Company agrees that it shall file an answer with the court or otherwise properly contest the taking of such action and raise the defense that the Member, the Special Member or Manager, as the case may be, has agreed in writing not to take such action and should be estopped and precluded therefrom and such other defenses, if any, as its counsel advises that it may assert.

(d) The provisions of this Section 11.01 shall survive the termination of this Agreement and the resignation, withdrawal or removal of the Member, any Special Member or any Manager. Nothing herein contained shall preclude participation by the Member, any Special Member or a Manager in assertion or defense of its claims in any such proceeding involving the Company.

SECTION 11.02 Amendments.

(a) The power to alter, amend or repeal this Agreement shall be only with the consent of the Member, provided, that the Company shall not alter, amend or repeal any provision of Sections 1.02(b) and (c), 1.05, 1.07, 1.08, 3.01(b), 3.02, 6.06, 6.07, 7.02, 7.05, 7.06, 9.01, 9.02, 11.02 and 11.07 of this Agreement or the definition of "Independent Manager" contained herein or the requirement that at all times the Company have at least one Independent Manager (collectively, the "Special Purpose Provisions") without, in each case, the affirmative vote of a majority of the Managers, which vote must include the affirmative vote of each Independent Manager.

So long as any of the Nuclear Asset-Recovery Bonds are outstanding, the Company and the Member shall give written notice to each applicable Rating Agency of any amendment to this Agreement. The effectiveness of any amendment of the Special Purpose Provisions shall be subject to the Rating Agency notice conditions set forth in the Basic Documents (other than an amendment which is necessary: (i) to cure any ambiguity or (ii) to correct or supplement any such provision in a manner consistent with the intent of this Agreement).

(b) The Company's power to alter or amend the Certificate of Formation shall be vested in the Member. Upon obtaining the approval of any amendment, supplement or restatement as to the Certificate of Formation, the Member on behalf of the Company shall cause a

Certificate of Amendment or Amended and Restated Certificate of Formation to be prepared, executed and filed in accordance with the LLC Act.

(c) Notwithstanding anything in this Agreement to the contrary, including Sections 11.02(a) and (b), unless and until the Nuclear Asset-Recovery Bonds are issued and outstanding, the Member may, without the need for any consent or action of, or notice to, any other Person, including any Manager, any officer, the Indenture Trustee or any Rating Agency, alter, amend or repeal this Agreement in any manner.

SECTION 11.03 Commission Condition Notwithstanding anything to the contrary in Section 11.02, no amendment or modification of this Agreement shall be effective unless the process set forth in this Section 11.03 has been followed.

(a) At least fifteen (15) days prior to the effectiveness of any such amendment or modification and after obtaining the other necessary approvals set forth in Section 11.02 above (except that the consent of the Indenture Trustee may be subject to the consent of Holders if such consent is required or sought by the Indenture Trustee in connection with such amendment), the Member shall have delivered to the Commission's **[executive director and general counsel]** written notification of any proposed amendment or modification, which notification shall contain:

(i) a reference to Docket No. **[_____]**;

(ii) an Officer's Certificate stating that the proposed amendment or modification has been approved by all parties to this Agreement; and

(iii) a statement identifying the person to whom the Commission or its authorized representative is to address any response to the proposed amendment or modification or to request additional time.

(b) If the Commission or its staff, within 15 days (subject to extension as provided in clause (c)) of receiving a notification complying with subparagraph (a), shall have delivered to the office of the person specified in clause (a)(iii) a written statement that the Commission might object to the proposed amendment or modification, then, subject to clause (d) below, such proposed amendment or modification shall not be effective unless and until the Commission subsequently delivers a written statement that it does not object to such proposed amendment or modification.

(c) If the Commission or an authorized representative of the Commission, within 15 days of receiving a notification complying with subparagraph (a), shall have delivered to the office of the person specified in clause (a)(iii) a written statement requesting an additional amount of time not to exceed thirty days in which to consider such proposed amendment or modification, then such proposed amendment or modification shall not be effective if, within such extended period, the Commission shall have delivered to the office of the person specified in clause (a)(iii) a written statement as described in subparagraph (b), unless and until the

Commission subsequently delivers a written statement that it does not object to such proposed amendment or modification.

(d) If (i) the Commission or an authorized representative of the Commission shall not have delivered written notice that the Commission might object to such proposed amendment or modification within the time periods described in subparagraphs (b) or (c), whichever is applicable, or (ii) the Commission or an authorized representative of the Commission, has delivered such written notice but does not within 60 days of the delivery of the notification in (a) above, provide subsequent written notice confirming that it does in fact object and the reasons therefor or advise that it has initiated a proceeding to determine what action it might take with respect to the matter, then the Commission shall be conclusively deemed not to have any objection to the proposed amendment or modification and such amendment or modification may subsequently become effective upon satisfaction of the other conditions specified in Section 11.02.

(e) Following the delivery of a statement from the Commission or an authorized representative of the Commission to the Member under subparagraph (b), the Member and the Company shall have the right at any time to withdraw from the Commission further consideration of any proposed amendment. Such withdrawal shall be evidenced by the prompt written notice thereof by the Member to the Commission, the Indenture Trustee, each Independent Manager and the Servicer.

(f) For the purpose of this Section 11.03, an "authorized representative" of the Commission means any person authorized to act on behalf of the Commission as evidenced by an Opinion of Counsel (which may be the general counsel) to the Commission.

SECTION 11.04 Governing Law. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

SECTION 11.05 Headings. The headings of the various Articles and Sections herein are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

SECTION 11.06 Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remainder of such provision (if any) or the remaining provisions hereof (unless such construction shall be unreasonable), and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

SECTION 11.07 Assigns. Each and all of the covenants, terms, provisions and agreements contained in this Agreement shall be binding upon and inure to the benefit of the Member, and its permitted successors and assigns.

SECTION 11.08 Enforcement by Each Independent Manager. Notwithstanding any other provision of this Agreement, the Member agrees that this Agreement constitutes a legal, valid and binding agreement of the Member, and is enforceable against the Member by each Independent Manager in accordance with its terms.

SECTION 11.09 Waiver of Partition; Nature of Interest. Except as otherwise expressly provided in this Agreement, to the fullest extent permitted by law, each of the Member and the Special Members hereby irrevocably waives any right or power that such Person might have to cause the Company or any of its assets to be partitioned, to cause the appointment of a receiver for all or any portion of the assets of the Company, to compel any sale of all or any portion of the assets of the Company pursuant to any applicable law or to file a complaint or to institute any proceeding at law or in equity to cause the dissolution, liquidation, winding up or termination of the Company. The Member shall not have any interest in any specific assets of the Company, and the Member shall not have the status of a creditor with respect to any distribution pursuant to this Agreement.

SECTION 11.10 Benefits of Agreement; No Third-Party Rights. Except for the Indenture Trustee with respect to the Special Purpose Provisions and Persons entitled to indemnification hereunder, none of the provisions of this Agreement shall be for the benefit of or enforceable by any creditor of the Company or by any creditor of the Member or Special Member. Nothing in this Agreement shall be deemed to create any right in any Person (other than the Indenture Trustee with respect to the Special Purpose Provisions and Persons entitled to indemnification hereunder) not a party hereto, and this Agreement shall not be construed in any respect to be a contract in whole or in part for the benefit of any third Person.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, this Agreement is hereby executed by the undersigned as the sole Member of the Company and is effective as of the date first written above.

DUKE ENERGY FLORIDA, INC.

By: _____
Name:
Title:

ACKNOWLEDGED AND AGREED:

[_____],
as Independent Manager

_____

SCHEDULE A

SCHEDULE OF CAPITAL CONTRIBUTIONS OF MEMBER

MEMBER'S NAME	CAPITAL CONTRIBUTION	MEMBERSHIP INTEREST PERCENTAGE	CAPITAL ACCOUNT
Duke Energy Florida, Inc.	$100	100%	$100

SCHEDULE B

INITIAL MANAGERS

[To come]

SCHEDULE C

INITIAL OFFICERS

Name	Office
[To come]	President
	Vice President and Treasurer
	Controller and Chief Accounting Officer
	Secretary
	Assistant Treasurer
	Assistant Secretary
	Assistant Secretary

EXHIBIT A

MANAGEMENT AGREEMENT

[filing date]

[DEF SPE] LLC
299 First Avenue North
St. Petersburg, Florida 33701

Re: Management Agreement — **[DEF SPE]** LLC

Ladies and Gentlemen:

For good and valuable consideration, each of the undersigned Persons, who have been designated as managers of **[DEF SPE]** LLC, a Delaware limited liability company (the "Company"), in accordance with the Amended and Restated Limited Liability Company Agreement of the Company, dated as of **[_____]** (as it may be amended, restated, supplemented or otherwise modified from time to time, the "LLC Agreement"), hereby agree as follows:

1. Each of the undersigned accepts such Person's rights and authority as a Manager under the LLC Agreement and agrees to perform and discharge such Person's duties and obligations as a Manager under the LLC Agreement, and further agrees that such rights, authorities, duties and obligations under the LLC Agreement shall continue until such Person's successor as a Manager is designated or until such Person's resignation or removal as a Manager in accordance with the LLC Agreement. Each of the undersigned agrees and acknowledges that it has been designated as a "manager" of the Company within the meaning of the Delaware Limited Liability Company Act.

2. Until a year and one day has passed since the date that the last obligation under the Basic Documents was paid, to the fullest extent permitted by law, each of the undersigned agrees, solely in its capacity as a creditor of the Company on account of any indemnification or other payment owing to the undersigned by the Company, not to acquiesce, petition or otherwise invoke or cause the Company to invoke the process of any court or governmental authority for the purpose of commencing or sustaining a case against the Company under any federal or state bankruptcy, insolvency or similar law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of the Company or any substantial part of the property of the Company, or ordering the winding up or liquidation of the affairs of the Company.

3. THIS MANAGEMENT AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE, AND

ALL RIGHTS AND REMEDIES SHALL BE GOVERNED BY SUCH LAWS WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS.

Capitalized terms used and not otherwise defined herein have the meanings set forth in the LLC Agreement.

This Management Agreement may be executed in any number of counterparts, each of which shall be deemed an original of this Management Agreement and all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the undersigned have executed this Management Agreement as of the day and year first above written.

_____

_____

_____

APPENDIX A

DEFINITIONS

As used in this Agreement, the following terms have the following meanings:

"Administration Agreement" means an administration agreement to be entered into between the Company and the Administrator pursuant to which the Administrator will provide certain management services to the Company.

"Administrator" means DEF, as Administrator under the Administration Agreement, or any successor Administrator to the extent permitted under the Administration Agreement.

"Affiliate" means, with respect to any specified Person, any other Person controlling or controlled by or under common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such specified Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Agreement" has the meaning set forth in the preamble to this Agreement.

"Bankruptcy" is defined in Section 9.01(b) of this Agreement.

"Bankruptcy Code" means Title 11 of the United States Code (11 U.S.C. §§ 101 et seq.), as amended from time to time.

"Basic Documents" means the Indenture, the Administration Agreement, the Sale Agreement, the Bill of Sale, the Certificate of Formation, the Original LLC Agreement, this Agreement, the Servicing Agreement, the Series Supplement, the Intercreditor Agreement, the Letter of Representations, the Underwriting Agreement and all other documents and certificates delivered in connection therewith.

"Bill of Sale" means the bill of sale in connection with the sale of the Nuclear Asset-Recovery Property pursuant to the Sale Agreement.

"Capital Account" is defined in Section 2.03 of this Agreement.

"Capital Contribution" is defined in Section 2.01 of this Agreement.

"Certificate of Formation" means the Certificate of Formation filed with the Secretary of State on **[_____ __, 20__]** pursuant to which the Company was formed.

"Clearing Agency" means an organization registered as a "clearing agency" pursuant to Section 17A of the Securities Exchange Act of 1934, as amended.

"Code" means the Internal Revenue Code of 1986, as amended.

"Collection Account" means the account established and maintained by the Indenture Trustee in connection with the Indenture and any subaccounts contained therein.

"Commission" means the Florida Public Service Commission.

"Company" has the meaning set forth in the preamble to this Agreement.

"DEF" means Duke Energy Florida, Inc., a Florida corporation, and any of its successors or permitted assigns.

"Financing Order" means the financing order issued by the Commission to DEF on **[____ __ , 20__]**, Docket No. **[___]**, authorizing the creation of the Nuclear Asset-Recovery Property. DEF unconditionally accepted all conditions and limitations requested by such order in a letter dated **[_____ __ , 20__]** from DEF to the Commission.

"Governmental Authority" means any nation or government, any U.S. federal, state, local or other political subdivision thereof and any court, administrative agency or other instrumentality or entity exercising executive, legislative, judicial, regulatory or administrative functions of government.

"Holder" means the Person in whose name a Nuclear Asset-Recovery Bond is registered.

"Indenture" means an Indenture to be entered into between the Company and the Indenture Trustee authorizing the issuance of the Nuclear Asset-Recovery Bonds, as originally executed and, as from time to time supplemented or amended by any supplements or indentures supplemental thereto entered into pursuant to the applicable provisions of the Indenture, as so supplemented or amended, or both, and shall include the forms and terms of the Nuclear Asset-Recovery Bonds established thereunder.

"Indenture Trustee" means The Bank of New York Mellon, a New York banking corporation, as indenture trustee for the benefit of the Secured Parties, or any successor indenture trustee for the benefit of the Secured Parties, under the Indenture.

"Independent Manager" is defined in Section 4.01(a) of this Agreement.

"Independent Manager Fee" is defined in Section 4.01(a) of this Agreement.

"Intercreditor Agreement" means **[_____]**.

"Letter of Representations" means any applicable agreement between the Company and the applicable Clearing Agency, with respect to such Clearing Agency's rights and obligations (in its capacity as a Clearing Agency) with respect to any Book-Entry Nuclear Asset-Recovery Bonds (as defined in the Indenture).

"LLC Act" means the Delaware Limited Liability Company Act, as amended.

"Manager" means each manager of the Company under this Agreement.

"Member" has the meaning set forth in the preamble to this Agreement.

"Membership Interest" is defined in Section 6.01 of this Agreement.

"Nuclear Asset-Recovery Bonds" means the Nuclear Asset-Recovery Bonds authorized by the Financing Order and issued under the Indenture.

"Nuclear Asset-Recovery Bond Collateral " means the Nuclear Asset-Recovery Property created under and pursuant to the Financing Order and the Nuclear Asset-Recovery Law, and transferred by the Seller to the Company pursuant to the Sale Agreement (including, to the fullest extent permitted by law, the right to impose, collect and receive Nuclear Asset-Recovery Charges, the right to obtain periodic adjustments to the Nuclear Asset-Recovery Charges, and all revenue, collections, claims, rights to payments, payments, money and or proceeds of or arising from the Nuclear Asset-Recovery Charges out of the rights and interests created under the Financing Order, (b) all Nuclear Asset-Recovery Charges related to the Nuclear Asset-Recovery Property, (c) the Sale Agreement and the Bill of Sale executed in connection therewith and all property and interests in property transferred under the Sale Agreement and the Bill of Sale with respect to the Nuclear Asset-Recovery Property and the Nuclear Asset-Recovery Bonds, (d) the Servicing Agreement, the Administration Agreement, the Intercreditor Agreement and any subservicing, agency, administration or collection agreements executed in connection therewith, to the extent related to the foregoing Nuclear Asset-Recovery Property and the Nuclear Asset-Recovery Bonds, (e) the Collection Account, all subaccounts thereof and all amounts of cash, instruments, investment property or other assets on deposit therein or credited thereto from time to time and all financial assets and securities entitlements carried therein or credited thereto, (f) all rights to compel the Servicer to file for and obtain adjustments to the Nuclear Asset-Recovery Charges in accordance with Section 366.95(2)(c)2.d. and Section 366.95(2)(c)4. of the Nuclear Asset Recovery Law and the Financing Order, (g) all present and future claims, demands, causes and choses in action in respect of any or all of the foregoing, whether such claims, demands, causes and choses in action constitute Nuclear Asset-Recovery Property, accounts, general intangibles, instruments, contract rights, chattel paper or proceeds of such items or any other form of property, (h) all accounts, chattel paper, deposit accounts, documents, general intangibles, goods, instruments, investment property, letters of credit, letters-of-credit rights, money, commercial tort claims and supporting obligations related to the foregoing and (i) all payments on or under, and all proceeds in respect of, any or all of the foregoing.

"Nuclear Asset-Recovery Charge" means any Nuclear asset-recovery charge as defined in Section 366.95(1)(j) of the Nuclear Asset-Recovery Law that is authorized by the Financing Order.

"Nuclear Asset-Recovery Law" means the laws of the State of Florida adopted in May 2015 enacted as Section 366.95, Florida Statutes, as may be amended from time to time.

"Nuclear Asset-Recovery Property" means all Nuclear Asset-Recovery Property as defined in Section 366.95(1)(l) of the Nuclear Asset-Recovery Law created pursuant to the Financing Order and under the Nuclear Asset-Recovery Law, including the right to impose, bill, collect and receive the Nuclear Asset-Recovery Charges authorized under the Financing Order and to obtain periodic adjustments of the Nuclear Asset-Recovery Charges and all revenue, collections, claims, rights to payments, payments, money, or proceeds arising from the rights and interests specified in Section 366.95(1)(l)1., regardless of whether such revenues, collections, claims, rights to payment, payments, money, or proceeds are imposed, billed, received, collected, or maintained together with or commingled with other revenues, collections, rights to payment, payments, money, or proceeds.

"Ongoing Financing Cost" means the Financing Costs described as such in the Financing Order, including Operating Expenses and any other costs identified in the Basic Documents; provided, however, that Ongoing Financing Costs do not include the Company's costs of issuance of the Nuclear Asset-Recovery Bonds.

"Operating Expenses" means all unreimbursed fees, costs and out-of-pocket expenses of the Company, including all amounts owed by the Company to the Indenture Trustee (including indemnitees, legal fees and expense), or any Manager, fees of the Servicer pursuant to the Servicing Agreement, fees of the Administrator pursuant to the Administration Agreement, legal and accounting fees, Rating Agency and related fees (i.e. website provider fees), and any franchise or other taxes owed by the Company, including on investment income in the Collection Account.

"Original LLC Agreement" has the meaning set forth in the preamble to this Agreement.

"Person" means any individual, corporation, limited liability company, estate, partnership, joint venture, association, joint stock company, trust (including any beneficiary thereof), unincorporated organization or Government Authority.

"Rating Agency" with respect to any tranche of the Nuclear Asset-Recovery Bonds, means each of Moody's Investors Service, Inc., Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business **[or Fitch]**, or any successors thereto, which provides a rating with respect to the Nuclear Asset-Recovery Bonds. If no such organization or successor is any longer in existence, "Rating Agency" shall be a nationally recognized statistical rating organization or other comparable Person designated by the Company, notice of which designation shall be given to the Indenture Trustee and the Servicer.

"Sale Agreement" means a sale agreement to be entered into pursuant to which the Seller will sell its rights and interests in the Nuclear Asset-Recovery Property to the Company.

"Secretary of State" means the Secretary of State of the State of Delaware.

"Secured Parties" means the Indenture Trustee, the Holders and any credit enhancer described in the Series Supplement.

"Seller" means DEF.

"Series Supplement" means the indenture supplemental to the Indenture in the form attached as an exhibit to the Indenture that authorizes the issuance of the Nuclear Asset-Recovery Bonds.

"Servicer" means DEF, as Servicer under the Servicing Agreement, or any successor Servicer to the extent permitted under the Servicing Agreement.

"Servicing Agreement" means a servicing agreement to be entered into pursuant to which the Servicer will service the Nuclear Asset-Recovery Property on behalf of the Company.

"Special Member" is defined in Section 1.02(b) of this Agreement.

"Special Purpose Provisions" is defined in Section 11.02(a) of this Agreement.

"Tariff" means **[_____]** filed with the Commission, as the same may be amended, restated, supplemented or otherwise modified from time to time, including, without limitation, with respect to any successor.

"Treasury Regulations" means the regulations, including proposed or temporary regulations, promulgated under the Code.

"Underwriting Agreement" means the Underwriting Agreement, dated **[_____ __, 20__]**, by and among DEF, the representatives of the several underwriters named therein and the Company.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Duke Energy Florida, Inc. For Issuance of a Nuclear Asset-Recovery Financing Order	Docket No._____
	Submitted for Filing July 27, 2015

DIRECT TESTIMONY OF PATRICK COLLINS

ON BEHALF OF DUKE ENERGY FLORIDA, INC.

IN RE: PETITION FOR ISSUANCE OF NUCLEAR ASSET-RECOVERY FINANCING ORDER

BY DUKE ENERGY FLORIDA, INC.

FPSC DOCKET NO. _____

DIRECT TESTIMONY OF PATRICK COLLINS

I. INTRODUCTION

Q. Please state your name, business address, and current employment position.

A. My name is Patrick Collins. My business address is 1585 Broadway, New York, New York 10036. I am an Executive Director in Global Capital Markets at Morgan Stanley & Co. LLC.

Q. Please summarize your educational background and professional experience.

A. I graduated from Yale University in 2004 with a B.A. in History. My relevant professional experience includes approximately 11 years in the structured finance industry, the last five years of which have been at Morgan Stanley, where I focus on structured finance and securitization across a number of asset classes, one of which is utility securitization. I have been heavily involved in utility securitizations at Morgan Stanley, having personally worked on $5.5 billion in transactions since 2011. Below is a selection of that experience.

In December of 2013, I played the lead securitization banking role for Morgan Stanley as joint senior manager and lead bookrunner in the $2 billion securitization for the Long Island Power Company, known as LIPA. The transaction, which was comprised of both

taxable and tax-exempt bonds, allowed LIPA to retire certain of its outstanding indebtedness as part of a larger restructuring of the utility. The transaction represented the first municipal electric utility seller/sponsor to tap the utility securitization market.

Also in 2013, I played the leading securitization banking role for American Electric Power ("AEP") for the $380 million transaction from Appalachian Power Company, its operating company in West Virginia, which facilitated the recovery of its expanded net energy costs. Additionally for AEP, I played the main day-to-day execution role for another operating company, Texas Central Company, in 2012 for its $800 million transition bonds. That securitization was the last utility securitization deal for the costs associated with Texas' transition to a competitive electric market.

In 2011, I was the main day-to-day execution role for Entergy Louisiana's $207 million investment recovery securitization for its costs related to the cancellation of its 538-MW Little Gypsy steam generating station. In 2010, I also played the main day-to-day execution role for Entergy Arkansas' $124 million storm recovery transaction for costs associated with power outages and damage to infrastructure caused by a major ice storm in 2009. I also worked with Entergy as the structuring and financial advisor to Entergy Gulf States Louisiana ("EGSL") and Entergy Louisiana ("ELL") for their 2014 transactions issued under Act 55 of the Louisiana Regular Session of 2007, known as the Louisiana Utilities Restoration Corporation Act. Morgan Stanley served as the structuring advisor providing services for EGSL and ELL with respect to the preliminary structuring and regulatory approval phases of the transaction. We also served the same role for Entergy New Orleans, Inc. in early 2015 for its costs relating to Hurricane Isaac.

I am also working with two other companies on current transactions.

Q. Do you possess any professional licenses related to the securities industry?

A. Yes. I have Series 7 (General Securities Representative Qualification), Series 63 (Uniform Securities Agent State Law Examination, administered by the Financial Industry Regulatory Authority ("FINRA")), Series 55 (Equity Trader Qualification Examination, developed and maintained by FINRA), and Series 3 (National Commodity Futures Examination) licenses. These qualifications generally allow an individual to function as a representative dealing in a full range of products within the finance industry.

Q. On whose behalf are you testifying?

A. I am testifying on behalf of Duke Energy Florida, Inc. ("DEF" or the "Company").

Q. Are you sponsoring any exhibits in this case?

A. Yes. I am sponsoring:

- Exhibit No. __ (PC-1), a preliminary bond structure and associated cashflows; and
- Exhibit No. __ (PC-2), a list of completed utility securitizations since 1997.

Each of these exhibits was prepared under my direction and control and to the best of my knowledge all factual matters contained therein each are true and accurate.

I am also co-sponsoring with Bryan Buckler the following exhibits:

- Exhibit No. __ (BB-2a), Form of Nuclear Asset-Recovery Property Purchase and Sale Agreement;
- Exhibit No. __ (BB-2b), Form of Nuclear Asset-Recovery Property Servicing Agreement;
- Exhibit No. __ (BB-2c), Form of Indenture;

- Exhibit No. __ (BB-2d), Form of Administration Agreement; and
- Exhibit No. __ (BB-2e), Form of Amended and Restated LLC Agreement.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to: (i) provide an overview of the utility securitization market; (ii) describe DEF's proposed transaction; (iii) explain the collection and remittance process; (iv) discuss key elements of the financing order; (v) describe the rating agency process; (vi) describe the marketing process; (vii) discuss certain securities law liabilities applicable to utility securitization as well as developments in securities law that might affect the nuclear asset-recovery bonds; and (viii) explain the issuance advice letter process.

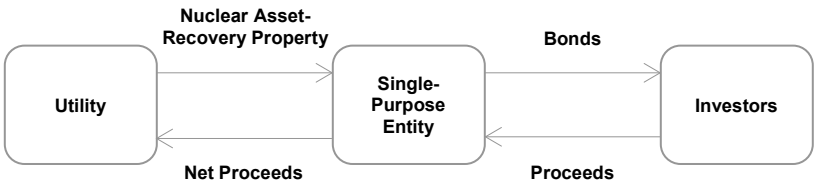
II. UTILITY SECURITIZATION BACKGROUND

Q. Please provide a basic description of utility securitization.

A. Securitization, generally, is the process in which an owner sells a cashflow-generating asset or assets for a lump-sum, upfront payment, done in a manner that legally isolates (or de-links) the cashflow-generating asset(s) from the credit quality of the seller. The sale process is intended to protect investors from any changes in credit circumstances, or even the bankruptcy, of the entity that sold the asset(s). Therefore, the "credit" of a securitization is the ability of that asset(s) to produce a set of payments (or cashflows) for investors, who purchased a securitized interest in that asset(s).

In the context of utility securitization, a utility is the owner of the cashflow-generating asset, which is the property right that is created pursuant to a statute and financing order. This property right is also referred to as the collateral. The utility then sells that property right to a newly-established, single-purpose entity ("SPE") which, as its name implies,

functionally does nothing else but purchase the collateral and issue bonds to investors in order to fund that purchase. This sale between the two entities is done to achieve a bankruptcy-remote sale, also referred to as a legal "true sale" for bankruptcy purposes, which legally isolates the collateral from the seller of the collateral. In order to have the necessary funds needed to purchase the collateral, the SPE issues notes to investors, collateralized by the property right. In exchange for the notes, investors pay an upfront purchase price, which is passed through the SPE back to the utility as consideration for the nuclear asset-recovery property. Below is an indicative schematic of the process around the upfront closing mechanics described above:



Q. What is the life-to-date volume of the utility securitization market?

A. There has been over $50 billion issued life-to-date in the utility securitization space from over 60 transactions since 1997. A full list of transactions is included in Exhibit No. __ (PC-2).

III. DESCRIPTION OF THE PROPOSED TRANSACTION

Q. Please describe the preliminary structure of the proposed DEF nuclear asset-recovery bonds.

A. DEF's preliminary structure for the nuclear asset-recovery bonds is presented here:

Class	Balance ($)	Weighted Average Life	Assumed Ratings	Coupon	Principal Window (Months)	Schedule Final	Legal Final
A-1	165.940,000	2.0	AAA	1.250%	31	4/1/2019	4/1/2020

A-2	209,370,000	5.0	AAA	2.270%	43	10/1/2022	10/1/2023
A-3	488.570,000	9.9	AAA	3.190%	79	4/1/2029	4/1/2030
A-4	447,920.000	15.6	AAA	3.680%	55	10/1/2033	10/1/2035
Total	**1,311,800,000**	**10.1**		**3.288%**			

Notes:

1. Closing rates as of June 30, 2015
2. Structure is preliminary and subject to change based on market conditions and rating agency requirements
3. Structure is based in part upon information supplied by Duke which is believed to be reliable but has not been verified. Estimates of future performance are based on assumptions that may not be realized. Actual events may differ from those assumed and changes to any assumptions may have a material impact on any projections or estimates. Other events not taken into account may occur and may significantly affect the projections or estimates. Certain assumptions may have been made for modeling purposes only to simplify the presentation and/or calculation of any projections or estimates, and Morgan Stanley does not represent that any such assumptions will reflect actual future events
4. Assumes the forecast for power consumption and collection curve provided by DEF
5. Assumes no collections for the first month of the transaction

Please note that these terms are preliminary and estimated based on interest rates and market conditions as of June 30, 2015. The final terms and conditions of the nuclear asset-recovery bonds will not be known until after they have been priced in the marketplace. Investor demand and market conditions (including the interest rate environment) at the time of pricing will determine market clearing interest rates and the final structure offered to investors. Therefore, the preliminary structure and pricing information is preliminary and subject to change, and the actual structure and pricing will differ, and may differ materially, from the preliminary structure as shown above.

Q. Please provide further details around the preliminary structure.

A. Further details of the preliminary structure are included in Exhibit No. __ (PC-1), which outlines some of the structuring assumptions and displays the preliminary annual and semi-annual debt service schedules and revenue requirements, assuming estimated market conditions (as of June 30, 2015) and forecasted billings from DEF, among other factors.

Q. Are the classes subject to change as well?

A. Yes, they are. As you will note, the preliminary structure above contains four classes, or tranches. The final structure could have a different number of classes from the preliminary structure above, or it could have the same number of classes but with different weighted-average lives (the measure of the average amount of time to repay the principal balance of the tranche in full; "WAL"). The scheduled and legal final maturity dates, which I describe further below, also could be different which would affect the structure and tranching as well. The classes will be structured to investor demand such that it is as marketable to as many investors as possible with the objective of achieving a coupon rate for each tranche below that which might otherwise be accomplished. The above structure is preliminary and estimated based on the market conditions and investor demand as of June 30, 2015, and the market is subject to change at any time.

Q. What are the considerations taken into account when developing the structure for the transaction?

A. These factors include both quantitative and qualitative assessments, including: the general market conditions at the time of pricing, the interest rate environment, the shape of the underlying benchmark yield curve (*i.e.*, the difference between the 2-year and 5-year points of the curve), perceived investor liquidity of the bonds, general investor risk appetite, investor maturity preferences, competing supply in the new issue market, secondary trading levels for comparable securities, relative value versus comparable securities, and the calendar in general. The underlying goal is to create customer savings, which is done by creating a structure that is as marketable to a large number of investors as reasonably possible, such that the transaction generates strong investor demand and therefore drives down the interest expense of the bonds (and thus produces customer

savings). Another important consideration is the period of time in which the nuclear asset-recovery charges will be collected, or the scheduled final maturity date. To the extent that date is different than the approximate 18-year period above, the structure, including the number and WALs of the tranches would be different. I discuss some further considerations around the target scheduled maturity date below.

Q. How do the tranches work in relation to each other? Are they time-tranched?

A. Yes, they are time-tranched. The principal balance will pay down according to a pre-determined amortization schedule with the A-1 tranche or class getting paid to zero first according to that schedule; then the A-2 class will start to pay down until it is paid in full, then the A-3, and so on. It's important to note that each of these classes is a senior bond, so none of the classes in the deal provide any structural subordination or protection to another. It is also important to note that each of these classes continue to accrue and receive interest payments while there is a principal balance outstanding; so, even though the A-3 class is not scheduled to receive a principal payment in the first payment period, holders of that bond are still scheduled to receive an interest payment in that same period.

Q. Will the nuclear asset-recovery bonds pay fixed or floating interest rates?

A. We recommend that bonds be issued as fixed-rate instruments. Most utility securitizations have been fixed rate bonds to date, especially recently, and these classes are very marketable. Fixed interest rates are necessary to maintain predictable revenue requirements over time. Also, making the bonds bear interest at a floating rate could potentially create added risks for customers and therefore I do not recommend it. For example, a fixed-to-floating interest rate swap would require an additional counterparty with an ongoing financial obligation associated with the transaction, and with that comes

a risk of a ratings downgrade of or a default by the financial institution providing such swap, which could have negative implications on the transaction.

Q. Please describe the level nature of the annual revenue requirement included in Exhibit No. __ (PC-1) and why it is preferred.

A. As you will notice, after the initial nine-month first payment period, each subsequent annual revenue requirement amount is level. The transaction was structured to have substantially level annual debt service to achieve consistency in customer billings, and if load growth is experienced in the future, it will facilitate a decline in the nuclear asset-recovery charge over the life of the bonds. As shown on Exhibit No. __ (PC-1), the estimated nuclear asset-recovery charge declines using DEF's forecasted energy consumption, given the listed assumptions in the exhibit.

Q. What underlying interest rate benchmark is used for the preliminary transaction?

A. The market convention for utility securitizations is to use the swap curve as the underlying benchmark based on the WAL for each class. The vast majority of utility securitizations have been priced off of this benchmark to date in the sector, including each of the taxable transactions in the last five years; moreover, secondary spreads are quoted by broker-dealers as a spread versus the swap curve. The credit spread is the amount of yield, typically stated as a percentage or in basis points (*e.g.*, 0.01% is 1 basis point and 1% is 100 basis points), such that the benchmark plus the credit spread equals the yield.

There are some very important distinctions to make when discussing the topic of the benchmark interest rate curve, each of them dealing with the marketing implications on utility securitizations. The first deals with market convention. When marketing any

bond, it is wise to follow convention in any given market when speaking to an investor base. If the capital markets have purchased other new issue transactions using a spread against one specific interest rate curve, and those same investors see broker-dealers quoting secondary spreads for the asset class against that same curve, best practices would be to market a new transaction against that same curve. Said differently, it is important to speak the same language as investors in a given market. When dealing with securitized products investors, market convention for that investor base is to quote spreads against the swap interest rate curve. When dealing with corporate bond investors, market convention is to quote spreads against the U.S. Treasury interest rate curve.

The next distinction to make is that bond investors are ultimately focused on the actual yield of the fixed income instrument they are buying, especially when dealing with highly-rated bonds. As such, investors in different sectors of the bond market can easily and readily increase or decrease a credit spread based on what benchmark is being used. So, for example, when marketing bonds to securitized products investors, if the benchmark interest rate, the swap rate, is 2.15% and the spread against the swap curve is 0.50%, the yield in this indicative example is equal to 2.65%. For the same bond, if marketing to a corporate bond investor, if the benchmark U.S. Treasury rate for the equivalent point on the curve is 2.05%, then the credit spread against the U.S. Treasury curve would be bigger, or wider, at 0.60%, to get to the same yield of 2.65%. Credit spreads are based off a specific benchmark, so when moving investor bases, say from securitized products to corporate bonds, the basis for the calculation of a credit spread changes as well, up or down, based on the yield where a particular investor has interest.

No investor will accept a lower yield simply because a bond is quoted off a different index.

Q. Do you have a recommendation as to whether the nuclear asset-recovery bonds should be sold as a public, registered transaction versus private placement?

A. I recommend pursuing an offering registered with the U.S. Securities and Exchange Commission ("SEC"), generally referred to as public offerings. In general, public offerings are considered to be more liquid than a Rule 144A qualified institutional offering, and therefore more attractive to investors and more likely to obtain lower interest rate coupons. However, as there are new requirements set to go into effect in November for public offerings (which I discuss in more detail below in my testimony), it is important that DEF retains some flexibility to issue a Rule 144A qualified institutional offering if there are any material issues with the implementation of those new regulations for registered offerings.

Q. How was the 2007 Florida Power & Light transaction sold to the market?

A. It was an SEC-registered public offering. However, the bonds were sold pursuant to a "competitive issue" rather than through a more customary "negotiated issue" basis.

Q. Can you explain the difference between a competitive issue and negotiated issue?

A. Simply put, in a competitive issue or auction process, the bonds are offered for sale by the issuer to a group of broker-dealers and the highest bidder (on a dollar price basis, or lowest cost on an interest rate basis, depending on the form) in that group of broker-dealers would win. This competitive issue would take place at a specified date and time. In contrast, in a negotiated sale, the issuer pre-selects broker-dealers as underwriters for its bonds, and then those selected underwriters offer the bonds for sale to investors in the

broader capital markets through a marketing process. As part of this negotiated issue offering process, the underwriters solicit interest from investors, aggregate that interest, and then determine a market-clearing rate for the bonds resulting from a multi-step process. Once the clearing rates are determined, the underwriters buy the bonds from the issuer and sell them to investors on the same day. I describe this type of a process in further detail below in my testimony when describing the marketing process.

Q. Is this competitive issue process used in any markets?

A. Competitive issues are common in the municipal securities market.

Q. Are competitive issues common in the utility securitization market?

A. No. Florida Power & Light's transaction is the only one to have been sold as a competitive issue to date since the market began in 1997.

Q. Are competitive issues common in the securitized products market?

A. No. Securitized products new issue transactions are sold via a negotiated sale process the vast majority of the time.

Q. Do you recommend using a competitive issue process to sell the nuclear asset-recovery bonds?

A. No. Our recommendation is to sell the nuclear asset-recovery bonds in a negotiated sale process through a group of pre-selected underwriters, which is the way that virtually every other utility securitization to date has been sold. I believe that the flexibility afforded by a negotiated sale is likely to lead to a more efficient transaction and hence greater customer savings. This flexibility includes the ability to access the market as needed and to structure the transaction to meet bondholder demand resulting from marketing efforts directly with potential bondholders.

Q. What is the collateral for the transaction?

A. The collateral primarily consists of the nuclear asset-recovery property that is created pursuant to the financing order and sold to the SPE and is the right to bill and collect a certain consumption-based charge directly from DEF's electric customers in amounts necessary to pay principal and interest on the nuclear asset-recovery bonds, as well as other amounts (known as ongoing financing costs), timely and in full. Included in this property right is the ability to adjust the amount of the consumption-based charge owed by DEF's electric customers in order to ensure that the amounts actually collected are enough to pay all amounts owed with respect to the bonds, including the ongoing financing costs (which are more fully-described in Bryan Buckler's testimony). This process is referred to as the "true-up" mechanism.

The nuclear asset-recovery bonds will be structured to amortize with scheduled principal payments through a specific point in time ahead of the end of the legal final maturity date of the nuclear asset-recovery property; this specific point in time is referred to as the expected or scheduled life of the transaction. These amortizing, or sinking-fund, structures are distinct from a traditional utility corporate bond (and corporate bonds in general), which typically have only a single "bullet" principal payment at the bond maturity date. This time gap between the scheduled final maturity and the legal final maturity is a feature included in the structure to provide a cushion in the instance of any unforeseen circumstances which could cause the forecasted energy consumption, and the bond collections, to decrease materially.

It is important to note that the nuclear asset-recovery property is derived from the financing order, which must be carefully crafted to satisfy the specific provisions of the

statute. The combination of the statute with the financing order and the actions contemplated therein together create the current property right that is required for the nuclear asset-recovery bonds to achieve the highest possible ratings from rating agencies and the strongest amount of demand from potential bondholders. The financing order proposed by DEF has been drafted to meet these specific provisions of the statute, to satisfy the conditions of the rating agencies, and to conform to the expectations of the financial markets.

Q. In addition to the nuclear asset-recovery property described in your earlier discussion, are there any other components of the collateral for this transaction?

A. Yes, the collateral for the transaction includes other components beside the nuclear asset-recovery property right; however, that property right is the principal asset pledged as collateral. The other collateral includes a collection account, which is established by the SPE as a trust account to be held by the trustee. The collection account, in turn, is comprised of the three subaccounts: the general subaccount, the capital subaccount, and the excess funds subaccount; the Financing Order also provides for the opportunity to have additional subaccounts if required for ratings purposes. The collateral also consists of the SPE's rights under certain agreements it enters into as part of the transaction, including the sale agreement (which governs the sale between the utility and the SPE), the servicing agreement, and the administrative agreement.

Q. Please describe the subaccounts of the collection account referenced above?

A. The general subaccount is the subaccount in which the trustee deposits nuclear asset-recovery charge remittances it receives from the servicer. Monies in this subaccount will be applied by the trustee on a periodic basis to make payments according to a prescribed

order (or waterfall), which generally includes the payment of expenses of the SPE required to maintain the operations of the transaction, then interest on the bonds, and then principal on the bonds.

The capital subaccount represents the equity capital of the SPE and is funded by an amount contributed by DEF at issuance that is estimated to equal 0.50% of the initial principal balance of the bonds. If that subaccount is drawn upon, it is replenished from nuclear asset-recovery charge collections through the true-up and any available excess collections. The Company's proposed equity investment of 0.50% has been derived from guidance from the Internal Revenue Service through its Revenue Procedure 2005-62. This Revenue Procedure sets forth the manner in which a public utility company may treat, for federal income tax purposes, the issuance of a financing order by a state regulatory agency and the securitization of the rights created by the financing order. Having the equity investment in the SPE of at least 0.50% is within the safe harbor provided in the Revenue Procedure and helps to assure that the DEF will not recognize gross sale proceeds upon the receipt of cash in exchange for the nuclear asset-recovery bonds; rather, the bonds will be considered borrowings of DEF for federal income tax purposes. The SPE will be permitted to earn a rate of return on its invested capital equal to the rate of interest payable on the longest maturing tranche of nuclear asset-recovery bonds and this return on invested capital will be paid to DEF in accordance with waterfall.

The excess funds subaccount is where any monies on deposit in the general account that are not needed to meet the scheduled obligations of the bonds on a given payment date will be deposited. The initial balance is zero, and the target ongoing balance is also zero.

To the extent there are funds on deposit in this account, those amounts will be taken into account in the next available true-up process and reduce the amount of revenue needed to be raised for the next bond payment; after the bond payment date, the account value will again be targeted to be zero. Stated differently, if the nuclear asset-recovery charge collections are higher than expected in any given period, those amounts do not pay down the principal balance of the bonds beyond the scheduled principal payment for that period. Rather, the amounts on deposit in the general subaccount above and beyond the scheduled obligations will be moved to the excess funds subaccount. Those amounts will then reduce the amount of nuclear asset-recovery charge collections needed in the subsequent period.

Q. Please describe the treatment of any funds remaining in the various subaccounts at the final maturity of the transaction?

A. Funds remaining in the general subaccount and the excess funds subaccount will be returned to the SPE upon final payment of the nuclear asset-recovery bonds and all other financing costs in full, and equivalent amounts will be credited to customers in the form of a credit to rates. Funds remaining in the capital subaccount will be returned to DEF through the SPE without any equivalent credit to rates since the capital subaccount was funded at issuance with DEF's own funds.

Q. What is the difference between the scheduled final and legal final maturity dates in the preliminary transaction structure?

A. I briefly addressed this topic above in the context of the basic discussion of securitization and will address in full here. The scheduled final maturity of the nuclear asset-recovery bonds represents the date at which the final payment is expected to be made, but no legal

obligation exists to retire the class in full by that date. The legal final maturity is the date by which the bond principal must be paid or a default will be declared. The proposed preliminary structure for this transaction utilizes a legal maturity that is approximately 24 months longer than the scheduled maturity for the single bond class. The difference between the scheduled final maturity and legal final maturity provides additional credit protection by allowing shortfalls in principal payments to be recovered over this additional time period due to any unforeseen circumstance. As such, this gap between the two maturity dates, or "cushion," is a benefit to the structure and is a contributing factor to achieving a "AAA" rating, helping lower the cost of funds on the bonds and therefore benefitting customers. Moreover, investors in utility securitization are very familiar with this concept, which occurs in most securitization transactions. The ratings on the bonds are derived in part based on the assumption that the outstanding principal of the class will be paid in full by its legal final maturity date, and investors price the bonds using a corresponding WAL that assumes the bonds make the final scheduled principal payment in full at the scheduled final maturity date and not at the legal final maturity date.

This gap between the two maturity dates will be driven by rating agency concerns. To that effect, the period of time between the two dates could potentially be shortened to one year, but that will not be known until the ratings process is complete and it will depend on a number of factors, including the size of the service territory and the length of the latest scheduled maturity date, among other factors. Of the 15 transactions since 2010, 8 transactions have had gaps between the scheduled and legal final maturity dates of two years, five deals have been less than two years, and two have been three years. Because

transactions with scheduled final maturity dates of fifteen years or longer have had at least a two year gap, we are assuming that same two-year gap for the preliminary structure.

Q. Are the key structural elements of the preliminary structure generally in line with other utility securitizations?

A. Yes. The key elements of the preliminary structure as discussed above, and as included in Exhibit No. __ (PC-1), are generally consistent with the utility securitizations that have been issued to date. The underlying cost recovery types, sizes, and maturity dates are obviously different and subject to the facts and circumstances in each case, but the key structural elements are generally consistent. This is a very-well understood asset class by all interested parties, including sponsors, commissions, rating agencies, underwriters, and most importantly, investors. Keeping the transaction consistent from a structural perspective for investors is an important element during the marketing process.

IV. NUCLEAR ASSET-RECOVERY CHARGE COLLECTION AND REMITTANCE PROCESS

Q. Please describe the ongoing billing, collection, and remittance process of the transaction and the key transaction parties that are involved in it.

A. In addition to the upfront closing mechanics described and shown above, the securitization process also includes another key component: ongoing collections of the cash generated by the collateral. Here, a trustee and DEF play important roles. Upon the closing of the nuclear asset-recovery bonds, DEF will bill and collect the amounts owed by customers in connection with the nuclear asset-recovery charge. In the context of securitization and the nuclear asset-recovery bonds, this function is referred to as

"servicing" and the utility (DEF) is the servicer. DEF will also perform certain reporting duties with respect to the amount of nuclear asset-recovery charges collected. The servicer will perform all of these functions under a contractual arrangement for the SPE under the servicing agreement. Generally, DEF as servicer will make the collections generated from the nuclear asset-recovery charges and remit such collections to another entity, the trustee, who also plays an important role for the integrity of the ongoing collections. After making its collections, the servicer remits the monies collected or estimated to have been collected to the trustee as frequently as daily, or less often depending on the servicer's credit rating and other factors (including the setting aside of reserved amounts), which maintains those monies until it periodically remits them to investors according to a pre-determined schedule (typically semi-annually in utility securitizations). The trustee holds the collections and invests them in short-term, high quality investments that mature prior to the next payment date on the bonds. The trustee also serves as a representative on behalf of investors and ensures that their rights are protected in accordance with the terms of the transaction.

It is important to discuss briefly third parties collecting the nuclear asset-recovery charges. While Florida law does not provide for third party electricity providers, it is important that the commission ensure that those third parties, in the event there is any change in utility regulation, must bill and collect the nuclear asset-recovery charges in a manner that will not cause any of the then-current credit ratings of the bonds to be suspended, withdrawn, or downgraded. Language to this effect is included in the proposed financing order.

Q. Are there any other roles with respect to the servicing?

A. Yes, there needs to be a specified fee that could be paid to a substitute, third-party servicer in the unlikely event that DEF is no longer the servicer. Such a replacement servicing fee should be up to 0.60% of the original principal balance of the bonds, or such other higher amount as approved by the commission. This fee is generally higher than the initial servicing fee to DEF of 0.05% of the original principal balance of the bonds as it may be needed to induce a third-party servicer to perform the functions typically performed by the sponsoring utility. To my knowledge, no utility securitization has ever had to utilize the replacement servicing fee.

Q. What are the "other amounts" referenced above when describing the ongoing collections process?

A. There will be ongoing financing costs beyond standard principal and interest that will be payable on an ongoing basis over the life of the transaction. These costs will include, but are not limited to, servicing fees, trustee fees, rating agency surveillance fees, legal and accounting fees, administrative fees, other operating expenses, credit enhancement expenses (if any), and any other costs. Bryan Buckler addresses these ongoing financing costs in his testimony. Generally, these amounts are expenses that are required in order to keep the transaction working as it was structured to do.

V. KEY ELEMENTS OF THE FINANCING ORDER

Q. Are the terms of the Financing Order critical to achieving a successful transaction?

A. Yes, the Financing Order, when taken together with applicable provisions of the statute, establishes in strong and definitive terms the legal right of investors to receive, in the form of nuclear asset-recovery charges, those amounts necessary to pay the interest and principal on the bonds and the ongoing expenses in full and on a timely basis. The

Financing Order must be crafted to meet the specific provisions of the statute, which the Financing Order proposed by DEF achieves. The Financing Order specifies the mechanisms and structures for payments of bond interest, principal, and ongoing financing costs in a manner that minimizes the amount of additional credit enhancements required by the rating agencies to achieve the highest possible ratings. The highest possible ratings will allow the financing to achieve the desired results of producing significant customer savings. In addition, the Financing Order, when taken together with applicable provisions of the statute, will enable DEF to structure the financing in a manner reasonably consistent with investor preferences and rating agency considerations at the time of pricing, which is also necessary in order for the financing to achieve the desired results.

Q. Please discuss the key elements of the Financing Order that are essential to achieving the desired result for the transaction.

A. There are a number of key elements of the Financing Order. The first such element is the mitigation of any potential bankruptcy risk of DEF, which is accomplished via a legal "true sale" for bankruptcy purposes. The structure utilized with this transaction, along with other securitizations, relies on techniques that allow the rating agencies and investors to conclude that the issuer of the securitization, the SPE, is highly unlikely to become the subject of a bankruptcy proceeding in the unlikely event of a bankruptcy of DEF. Under the federal bankruptcy code, payments on the debt obligations of an issuer in a bankruptcy proceeding become subject to an automatic stay – *i.e.*, the payments are suspended until the courts decide which creditors of the issuer are to be paid, when they will be paid, and whether they are to be paid in whole or in part. Unless the risk of an

automatic stay in the unlikely event of a bankruptcy of DEF is essentially removed from the rating agencies' credit analysis, the financing cannot achieve the highest possible ratings since DEF's secured debt obligations are rated below "AAA" and would thus serve as a constraint to the contemplated securitization. In addition, the creation of the bankruptcy-remote SPE, which is legally distinct from DEF, is designed to limit the ability of the SPE to be included with DEF in the unlikely event of a DEF bankruptcy. Therefore, even if DEF were to declare bankruptcy, the SPE would not become the subject of DEF's bankruptcy proceeding, and the SPE's debt service payments to investors would not be subject to the DEF automatic stay. The transaction, as structured and reflected in the Financing Order, is intended to achieve this important element.

Q. What are the other key components of the Financing Order that are essential to establishing the legal foundation for the transaction?

A. There are a number of provisions in the Financing Order that ensure that the SPE will be deemed to be bankruptcy remote in addition to the elements mentioned above, including that the SPE will have at least one independent manager whose approval will be required for certain organizational changes or major actions of the SPE, such as voluntarily filing for bankruptcy petition on behalf of the SPE. Continuing on the same theme, the Financing Order, together with the statute, will enable the transfer of the nuclear-asset recovery property from the Company to the SPE to be a "true sale." A true sale is a sale that a bankruptcy court should not overturn in the case of any DEF bankruptcy. The Financing Order will allow the SPE to issue the nuclear asset-recovery bonds, pledging the nuclear asset-recovery property as security for payment on the bonds.

Q. Does the Financing Order provide for any credit enhancement for the transaction?

A. Yes, in a number of forms. The primary form of credit enhancement is the true-up mechanism. The Financing Order, together with the statute, is designed to ensure that the collection of nuclear asset-recovery charges arising from the nuclear asset-recovery property are expected to be sufficient to pay all amounts owed on the bonds on a timely basis and in full, even in the face of dramatic reductions in electricity usage by DEF customers or dramatic increases of delinquencies and losses on payments from DEF customers. The true-up mechanism represents the most fundamental component of credit enhancement to investors and is a cornerstone of utility securitizations. True-ups are to be incorporated so that nuclear asset-recovery charges may be adjusted on a periodic basis to correct for any over- or under-collection of nonbypassable nuclear asset-recovery charges for any reason and to ensure that the expected collection of future nuclear asset-recovery charges is in accordance with the payment terms of the bonds. True-up adjustments will be made on a periodic basis, at least semi-annually, throughout the life of the bonds in accordance with the objectives of achieving the highest credit ratings per rating agency requirements and investor expectations. As described in the Financing Order, true-up adjustments during the transaction life will be made on a semi-annual basis (the standard true-up); however, in the event that nuclear asset-recovery bonds remain outstanding after the scheduled final maturity date of the last bond tranche, mandatory true-up adjustments will be required on a quarterly basis such that the bonds can be paid off in full on the next payment date. Additionally, DEF as servicer will have the ability to perform an optional interim true-up at any time for any reason in order to ensure the recovery of revenues sufficient for the timely payment of all amounts owed with respect to the bonds. This is a general catch-all true-up that is designed to improve

the nature of the true-up mechanism as a whole. In the unlikely case of an extreme event, DEF should not have to wait for a prescribed date to implement a true-up if one is needed. And the final component of the true-up mechanism is the non-standard true-up, to be effective simultaneously with a base rate change that includes any change in the cost allocation among customers used to determine the nuclear asset-recovery charges. Such non-standard true-up will go into effect simultaneously with any changes to DEF's other base rates.

It is critical for rating agency and investor marketing purposes that, insofar as Commission action is required, true-up adjustments be automatic and implemented on an immediate basis and subject only to mathematical review. Any subjective approval requirement would undercut the essential nature of the true-up and ultimately the credit quality of the transaction.

The capital subaccount funded with an amount equal to 0.50% of the initial principal balance of the nuclear asset-recovery bonds will also serve as credit enhancement of the transaction. Also, it is important that the Financing Order provide for the flexibility to include other forms of credit enhancement or other mechanisms (*e.g.*, letters of credit, additional amounts of overcollateralization or reserve accounts, or surety bonds) to improve the marketability of the bonds. None are anticipated but it is important to have the built-in flexibility.

Q. Please expand on your use of the term "nonbypassability" in your previous answer.

A. The Financing Order provides that all current and future customers receiving transmission or distribution services from DEF or its successors or assignees under the Commission-approved rate schedules or under special contracts must pay the nuclear

asset-recovery charge regardless of the customers' electric generation supplier and whether or not the distribution system is operated by DEF or a successor, even if the customer elects to purchase electricity from an alternative electric supplier following a fundamental change in regulation in public utilities in Florida. In basic terms, if one lives in DEF's service territory and receives transmission or distribution service, one must pay the nuclear asset-recovery charge. This is another very important element of the Financing Order, both for the rating agency process and for investor considerations.

Q. Does the Financing Order address how the charge would be affected in the case where DEF is no longer the utility in the service area?

A. The Financing Order also creates a binding obligation for DEF, its successor or assignee to collect the charges for a servicing fee and allows that obligation to be performed by a replacement servicer appointed by the trustee, if the servicer does not so perform. Thus the binding obligation to collect and account for nuclear asset-recovery charges will survive any adverse event to the servicer. So this obligation is binding upon any other entity that provides service in the service territory or any other entity responsible for billing and collecting the nuclear asset-recovery charges on DEF's behalf.

Q. Please describe the irrevocable nature of the Financing Order.

A. The Financing Order is irrevocable, and pursuant to Section 366.95(2)(C)6, Florida Statutes, the nuclear asset-recovery charges are not subject to reduction, impairment, postponement, or termination by any further action of the Commission, except for the true-up process. Thus, so long as the nuclear asset-recovery bonds are outstanding, all of the rights and benefits arising from the nuclear asset-recovery property created by virtue of the Financing Order may be definitively relied upon by investors and the rating

agencies. Equally important, Section 366.95(11), Florida Statutes affirms the pledge of the State not to take or permit any action that would impair the value of the nuclear asset-recovery property authorized by the Financing Order. Investors generally perceive that one of the greatest risks to them is that there is a change in law that affects the nuclear asset-recovery property, thereby adversely affecting their rights under the statute and the Financing Order. The Commission's affirmation in the Financing Order of the State pledge, and the irrevocable nature of the Financing Order, will enhance investor understanding that the risk of an adverse change in law or regulation is remote and will permit counsel to deliver important legal opinions that such adverse changes would not be legally valid.

Q. Please describe the sections in the Financing Order – the "Findings of Fact," "Conclusions of Law," and "Ordering Paragraphs."

A. The Findings of Fact, Conclusions of Law, and the Ordering Paragraphs constitute the means by which the Commission definitively affirms the conformity of the financing with the applicable provisions of the statute. With these findings and conclusions, counsel will have the basis that they need for the highly technical and specialized legal opinions they must issue in connection with the securitization financing, and upon which the rating agencies will rely in assigning the highest possible ratings for the bonds. I emphasize that the provisions of the Financing Order have been drafted with a view toward providing the basis that counsel will need for these essential opinions. With the structure authorized thereby, the stability of the cashflows securing the nuclear asset-recovery bonds will be maximized. The combination of maximized cashflow stability and highest possible ratings will allow the bonds to be structured and priced so as to meet

the statutory cost objectives (as defined in the proposed Financing Order submitted by DEF).

Q. Are there any other key elements of the Financing Order worth discussing?

A. Yes. In addition, in the Ordering Paragraphs, the Commission recognizes the need for, and affords DEF the flexibility to establish, the final terms and conditions of the nuclear asset-recovery bonds. This flexibility that will allow DEF to achieve the structure and pricing that will meet the statutory cost objective, reasonably consistent with market conditions on the day of pricing, rating agency considerations, and the terms of the Financing Order.

VI. RATING AGENCY PROCESS

Q. Please describe the rating agency process.

A. An important element of preparing for the marketing and pricing of the nuclear asset-recovery bonds is obtaining the highest possible ratings on the bonds from the rating agencies. The ratings process generally consists of five phases: (1) the initial rating agency presentation, (2) questions from each of the rating agencies based on the initial rating agency presentation, (3) a legal review of the transaction, (4) cashflow stress tests, and (5) an on-site servicing review.

For the initial rating agency presentation, the Company and its structuring advisor will prepare the written presentations and will meet with rating agency personnel to discuss the credit framework and credit strengths of the proposed nuclear asset-recovery bonds with each hired rating agency, in compliance with SEC Rule 17g-5. Each rating agency has its own method of reviewing a utility securitization based generally on published ratings criteria, so the presentation is intended to provide all the key elements that each

rating agency will need to facilitate such a review process. Information included in the presentation would be a situation overview, the proposed capital structure (*i.e.*, the projected principal tranches), customer class data, forecast and variance data, collection and write-off data, the political environment, the servicing capabilities of DEF, and other general information about the utility and transaction at-hand.

For the second phase of the process, the question-and-answer phase, the rating agencies will react to the introductory presentation and meeting and are likely to ask some clarification questions or request further data of DEF. The ratings process is largely a criteria-based approach based on achieving the key elements in the published ratings methodologies; however, part of the ratings process includes a qualitative assessment by the rating agencies based on the facts and circumstances of the particular transaction. As such, each agency is likely ask further questions as they see fit; examples could include explanations for any data outliers as seen by the agencies, information around self-generation and net-metering, further information about the service territory, or information around recovery periods from any major storms or hurricanes, if applicable.

For the third phase of the ratings process, the agencies will conduct a confirmatory review of the legal integrity of the transaction by looking at the legislation and financing order, the transaction and offering documents, as well as the legal opinions. Generally speaking, the rating agencies will not comment on nor edit language in any of these transaction documents; rather, they are looking for certain elements in each and will let the sponsor know of any material issues, to the extent any exist, with the transaction as a whole as proposed.

The fourth phase of the ratings process is the cashflow stress analysis. Each agency has its own cashflow stresses that it asks for as part of its review. These cashflow stresses are generally negative and extreme scenarios to assess whether or not the nuclear asset-recovery bonds would pay timely interest and ultimate principal (by the legal final maturity date). As the requested rating for each agency is the highest rating category of "AAA," some of the scenarios can and will be rather extreme. Examples include zeroing out all consumption in the utility's peak month, zeroing out all consumption related to all industrial customers, multiplying the max write-off and variance by a multiple of 5 from historical performance, and certain consumption oscillation stresses. Upon request from the agencies, DEF's structuring advisor, on behalf of DEF, will run each of the requested stresses and provide the outputs to the agencies, showing the results of the stress and the associated cashflows.

And finally, the fifth phase is a servicer review, which can be performed as an on-site review or via conference calls. Generally speaking, the agencies are likely to do an on-site visit if the utility is a first-time issuer or has not issued a transaction in the last three to five years (approximately). The topics addressed during this phase include: a general servicer history and overview, a detailed review of the life cycle of a bill as well as a review of the utility's experience with delinquency collections, its systems and data, and its forecasting methodology.

Q. In your previous answer, you mention SEC Rule 17g-5. Please explain what it is and how it will pertain to this execution process.

A. In December 2009, the SEC amended, as part of Dodd-Frank, its rules regulating rating agencies with respect to providing ratings on structured finance securities where the

issuer, sponsor, or underwriter pays for the ratings on the securities. In short, the rule is intended to provide access to ratings-related information to non-hired rating agencies so that they, if desired, could issue unsolicited ratings. In practice, however, actual unsolicited ratings are very rare.

The rule has been in effect since June 2010. Although the rule only directly applies to a hired rating agency, the rule requires that hired rating agency obtain commitments from the issuer to facilitate this process, effectively passing on the requirements to issuers. Those requirements generally include the maintenance of a password-protected website containing rating-related information used to providing a rating on the securities. The hired rating agency is then required to maintain its own password-protected website listing each structured finance security for which it is in the process of determining a rating. If a non-hired rating agency desires to gain access to the ratings-related information, which it learns of through the hired rating agency's listing, it can request it of the issuer. Please note, an issuer will be aware of such a request because it will be the one to grant access to the non-hired rating agency. There are certain elements and requirements of the non-hired agency once it requests access to such information, so there are guidelines in place that generally limit the ability of a non-hired agency to request access to the ratings information without issuing some kind of an unsolicited rating based on the number of requests.

Q. Does the rule apply to the proposed securitization?

A. Yes. Virtually all securitizations, including utility securitizations, are subject to the rule.

Q. Has the advent of Rule 17g-5 changed the manner by which issuers and underwriters interact with the rating agencies?

A. Yes. Because the intent of Rule 17g-5 is to assure that all rating agencies, hired or un-hired, have access to the same information in rating a security, all substantive communication with a hired rating agency which is intended to influence the rating on the securities must be made available on the password-protected website. This process is intended to assure that, regardless of which rating agency is requesting information, the information is available to all rating agencies, whether hired or not.

Since the implementation of the rule, issuers have managed their compliance with the rule by (i) requiring all communication with the rating agencies to be vetted and cleared by the issuer or its counsel, and (ii) requiring that all substantive communication with any rating agency be made in written form (via email or otherwise) and immediately posted to the website. If oral communication with any rating agency is necessary, then a recorded or transcribed phone communication (or a summary thereof) must be posted to the website.

Q. Are there any legal liabilities to DEF and the SPE which arise out of Rule 17g-5?

A. Yes, DEF and the SPE must enter into an agreement with the hired rating agencies agreeing to comply with the posting and related requirements of Rule 17g-5. Further, the underwriters, as a condition of the financing, will require DEF and the SPE to certify that the issuer has complied with Rule 17g-5; the underwriters will make a similar representation to DEF and the SPE. If, in connection with the nuclear asset-recovery bonds, any party communicates with the rating agencies in a manner that violates the rule, DEF could incur liability for that violation.

Q. Is DEF addressing this potential liability in the proposed form of the Financing Order?

A. DEF has proposed that any direct contact or communication with the rating agencies by any party in the financing must be conducted under the direct control of DEF and its counsel at DEF's sole discretion.

VII. MARKETING PROCESS

Q. Please describe the nuclear asset-recovery marketing process.

A. The marketing process entails a number of different phases, each uniquely tailored to the sponsor (first-time or repeat), the service territory, market conditions, and the specifics of the contemplated transaction. Below are the general steps in a marketing process for utility securitization, but the actual process could vary based on the then-current market environment at the time of marketing. In terms of Commission involvement, as per the proposed Financing Order, there is a bond team concept designed to involve the Commission and its advisors in the structuring, marketing, and pricing of the bonds, subject to the specific terms therein. Please see Bryan Buckler's testimony for a further discussion on the concept.

1. **Pre-marketing**. This process generally entails the marketing work that is done ahead of any official transaction announcement, which includes a roadshow (either electronic or physical) or more basic pre-marketing work. In this phase, the underwriter will work to bring the bond transaction to the attention of investors via a number of different forms to inform target investors of the deal, its structure and terms, and its strengths. The underwriter will also facilitate ways to answer directly any questions that investors may have. This phase generally includes a notice (or blast) to investors that the transaction is likely to be announced shortly, a roadshow (electronic or physical), and solicitations for one-

on-one conference calls with potential investors. It is important to re-state the goal of this phase and how it fits into the larger goal of the transaction: to stimulate broad investor demand. The more investors that are interested in the transaction, the more likely it is that the transaction generates investor demand and competition amongst investors, the more likely it is that the bonds price at a tighter (or lower) credit spread, and therefore have a lower interest cost. The roadshow phase is an important element of the marketing. Roadshows for utility securitizations recently have generally been done electronically, but whether it is done as an electronic or physical roadshow depends on a number of facts and circumstances of a given transaction. Some considerations include the general level of familiarity of investors of the asset class or sector, general market practice or expectations, the macro market environment, the new issue calendar, and the size of the transaction, in addition to the costs of a physical roadshow. Recent roadshows have been done electronically in the utility securitization sector mainly due to investors' general familiarity with the asset class and the market practice (and acceptance) of electronic roadshows, but the decision on the type and form of a roadshow for this proposed transaction will be made closer to marketing, based on the factors listed above.

The timing of this process and its particulars for utility securitization are also important factors. Typically, new transactions in the sector are announced to the market on a Monday morning. As one could expect, the new issue calendar can be busy at that time, so in order to get the attention of investors ahead of this, pre-marketing starts the week prior to the announcement (if there is a physical

roadshow, the start date is likely to be earlier given the required lead times for logistics). Pre-marketing is designed to gain the attention of investors when they are not busy reviewing active new issue pricings. Internal sales force presentations are also conducted during this phase.

2. **Announcement.** Following pre-marketing, the next step is for the transaction to be officially announced to the market, which is typically done toward the start of the week (the timing of the announcement is to ensure that a transaction prices during the same week in which it is officially announced; otherwise, issuers may be subject to unforeseen event risks over a weekend). During this phase of marketing, the bonds will be offered for sale to investors through the team of underwriters selected for the transaction (this has been the case in all but one utility securitization in the previous sixty-plus transactions, to my knowledge). This is when the pricing of the bonds with investors begins to get discussed. The underwriters, in conjunction with the issuer, will begin to disseminate where the bonds will be offered to investors, stated as a credit spread relative to the benchmark rates for each class. In response, investors will provide indications of interest, which is generally how much of the class for which they intend to submit an order at a given pricing level. The underwriters will be charged with keeping the master record (known as "the book") in which all indications of interest received by the underwriters from potential investors are recorded. The next phase of the transaction – price guidance – will be based on the aggregated amount of indications of interest from investors.

3. **Price Guidance.** At this stage, the underwriters will send out a notice to investors with price guidance, which is typically stated as a range of credit spreads stated against the given benchmark. Thereafter, investors will be invited to place orders through the underwriters for the amount and specific classes of nuclear asset-recovery bonds they are willing to purchase, at certain spreads and bond yield rates. At a certain point in time when the book has sufficient interest from investors, the underwriters will stop taking orders (generally referred to as going subject). The timing of this step will depend on the specifics of each transaction; however, it will obviously only occur when the book has at least an equal amount of orders on the bonds as the principal amount of bonds (generally referred to as being fully-subscribed). There is no specific threshold beyond that, and it will depend on market conditions, the speed at which orders came in from investors, and the composition of investor types in the book, to name a few. The underwriters will exercise professional judgment in making a recommendation to take the book subject, based on all relevant factors. Conversely, if the tranche is under-subscribed, the underwriters may need to increase the coupon to attract sufficient investor orders to sell the entire tranche.

4. **Price Testing.** Having exercised professional judgment and taken the transaction subject, the underwriters will then work to refine the pricing level. Based on the strength of the book, the underwriters may adjust the pricing level lower (or tighter). This process is generally referred to as testing the pricing levels. It is done to ensure maximum distribution of the bonds at the lowest bond yields reasonably consistent with a market conditions. If a tranche is oversubscribed, the

underwriters may continue to lower the pricing level (thus improving execution for the issuer and customers), provided that this adjustment does not decrease the aggregate investor interest below the size of the tranche. The underwriters will use professional judgment with respect to the recommendation for the amount of tightening and number of testing attempts.

5. **Launch.** Once the pricing levels have been determined for the transaction, it will be launched at that specific spread level. The intention of this stage is to declare to investors at which pricing level, or credit spread, the transaction will be issued. This will be the market clearing pricing level of the credit spread, subject only to movements in the underlying benchmark rates.

6. **Allocations.** At this stage, the market clearing pricing level has been determined by the marketing process, but the final book – how much each investor will purchase – has yet to be determined. Here, the underwriters will work to recommend a specific amount of bonds to be sold to each investor based on the size of each investor's orders. Each allocation depends on a number of factors; *e.g.*, when the investor placed its order, its experience in the sector, its flexibility for the pricing process, the investor type, etc. Ultimately, each investor will purchase its final allocations for the transaction at closing.

7. **Pricing.** Once the market clearing pricing level and the book has been finalized, the transaction can be priced. At this stage, the underwriters will price the transaction by spotting the underlying benchmark rates and adding the credit spread to determine the pricing bond yields and coupons.

8. **Closing.** At the conclusion of the pricing, the sponsor, with its underwriters and legal team, will work toward finalizing the transaction offering and transaction documents and close the transaction, typically approximately five days after pricing.

In summary, it is through this general marketing and pricing discovery process that I have described above that the actual investor market clearing interest rates for bonds are determined. It should be noted again that the above summary is general and each marketing efforts will be specifically crafted for the transaction, based on the facts and circumstances of each deal, as well as the actual investor orders on the actual day of pricing.

Q. Are there any potential securities law liabilities associated with the offering and sale of the bonds?

A. The nuclear asset-recovery bonds are anticipated to be sold in an SEC-registered transaction. Section 11(a) of the Securities Act of 1933 provides that any person acquiring securities covered by a registration statement may recover damages on a joint and several basis from the issuer (for the proposed transaction, both DEF and the SPE), its respective directors and its officers signing the registration statement, as well as from any underwriter if any part of the registration statement is untrue or incomplete in any material respect. Other provisions of the federal securities laws impose liability on DEF and the SPE for oral or written misstatements or omissions in connection with the offering and sale of the nuclear asset-recovery bonds.

As both DEF and the SPE will have potential strict liability for misstatements or omissions made in connection with the offering and sale of the nuclear asset-recovery

bonds, it is appropriate and necessary that DEF should, and must, control the flow of information concerning the sale of the bonds.

Q. Could statements made by a Bond Team member inadvertently create liability for the Company?

A. Yes. The SEC has indicated that statements "on behalf of" an issuer can be attributed to the issuer and create securities law liability for the issuer if those statements are untrue or omit material facts that cause those statements to be misleading. The determination as to whether or not a person is acting "on behalf of" the Company or the SPE (as co-SEC registrants) would be based on, among other things, that person's role in the offering process, the access that person had been given to information regarding the related securities, and whether investors perceived that person to be acting on behalf of the SPE and the Company. While the Company does not anticipate that any Bond Team member would intentionally make a misstatement or omission concerning the bonds, the potential for liability underscores the need for the Company to be able to control all communication with investors.

Q. Is DEF proposing to address this securities law liability in the proposed form of the Financing Order?

A. Yes, DEF is proposing that the Financing Order include a finding to the following effect: "As this Commission recognizes that DEF will have primary securities law liability with respect to the nuclear asset-recovery bonds, (i) all contact by any party to the financing (including, without limitation, the Commission, its staff, and its advisors) with the rating agencies, the SEC, the press, and potential nuclear asset-recovery bond investors and (ii)

the content of all offering documents, shall be under the direct control of DEF and its counsel at DEF's sole discretion."

Q. Are there any other developments in the securities laws that might affect the marketing of the bonds?

A. Yes, on August 27, 2014, the SEC adopted revisions to Regulation AB, commonly referred to as Regulation AB II, which must be complied with for securities issued after November 23, 2015. Regulation AB, originally adopted in 2004, represents the SEC's comprehensive set of regulations related to registration, disclosure, and reporting for publicly-offered, asset-backed securities. Among other requirements under Regulation AB II, SEC-registered, asset-backed securities will be required to be filed on new SEC registration forms.

Q. Do you have any thoughts about how to address compliance with Regulation AB II, assuming an SEC-registered financing is pursued?

A. Yes. Regulation AB II contemplates that new asset-backed securities may be issued under a new forms SF-1 or SF-3. Generally, Form SF-1 is intended for use for a transaction involving a single sale of asset-backed securities; Form SF-3 is intended for use for the sale, from time to time, of asset-backed securities in multiple offerings which are secured by the same type of assets. Assuming that the Company plans to issue all of the Nuclear Asset-Recovery Bonds at one time, which is the present plan of the Company, then Form SF-1 would appear to be appropriate.

Q. Are there any benefits from using Form SF-1 as compared to SF-3?

A. If Form SF-1 is used, the registrants (the Company and the SPE) will avoid certain potentially burdensome and costly requirements, including: (i) the appointment of an

asset representations reviewer, (ii) the inclusion of a dispute resolution mechanism to resolve any disputes related to breaches of representations and warranties regarding the underlying assets, (iii) the creation of an investor communication mechanism that would need to be administered by the transaction parties, and (iv) the requirement that the CEO of the registrants certify as to the accuracy of the disclosure. The requirement to include an asset representations reviewer, especially in the context of utility securitization, would be particularly burdensome since that party would need to be compensated and provisions related to the duties of the asset representations reviewer would need to be created. Since the asset in a utility securitization transaction consists primarily of the rights under a financing order, the concept of a third party (for clarity, one that would be unassociated with the issuer, DEF, or any member of the Bond Team) that would determine if there was a breach of a representation with respect to the financing order appears to be of little value and unnecessary time and expense would be incurred in addressing the considerations of such a mechanism. Further, since the disclosure requirements for a registration statement on Form SF-1 or Form SF-3 are identical, the requirements imposed by Form SF-3 weigh heavily in favor of selecting Form SF-1 as the appropriate form of registration statement for the nuclear asset-recovery bonds.

Q. Is it possible that these new requirements will increase upfront issuance costs, and in particular, legal costs?

A. Yes, that is quite possible. Assuming that the nuclear asset-recovery bonds are sold as SEC-registered securities (as is recommended in my testimony), compliance with these new regulations is likely to increase costs. To date, no utility securitization has been filed under the new Regulation AB forms, nor have other requirements of the regulations been

addressed in the context of a utility securitization. If the nuclear asset-recovery bonds are the first utility securitization to be reviewed by the SEC, it is highly likely that the SEC will subject the issuance to a full review and comment. This review and comment process could take 60 days or more, as novel issues may have to be addressed.

VIII. ISSUANCE ADVICE LETTER PROCESS

Q. Does the Financing Order as proposed by DEF include a process or mechanism whereby the terms of the nuclear asset-recovery bonds can be finalized and approved by the Commission?

A. Yes, there is a process in place to facilitate the Commission's final approval for a transaction where the actual structure, pricing, and final amounts of upfront bond issuance costs and ongoing financing costs will not be known at the time that the Financing Order is issued. DEF has proposed a process by which the terms of the nuclear asset-recovery bonds can be reviewed by the Commission designee and the Commission's advisors as the terms are developed and finalized, such that the final transaction terms and costs can be approved by the designee in a timely manner and in accordance with bond pricing and closing conventions.

Q. What is the purpose of the Issuance Advice Letter?

A. The purpose of the Issuance Advice Letter is to create a process or mechanism that facilitates final approval of the bonds, balancing standard market settlement procedures with the fact that the final terms and conditions of the nuclear asset-recovery bonds will not be determined until after the bonds have priced. Said differently, the Commission's final approval would come after the bonds are priced, after which point the terms and conditions of the bonds cannot change without significant market ramifications. So, in

order to facilitate a smooth approval process, the issuance advice letter process is put in place. Some of the elements that will not be known until pricing relate to the general terms and conditions of the bonds and include the schedule of principal amortization, the interest rates on the bonds, and the final structure. Additionally, there are financing costs (both upfront and ongoing) that will not be known until final pricing of the bonds, which can be directly or indirectly tied to the final size of the nuclear asset-recovery bonds; additionally, some of those costs will not be known until at or very close to pricing. All parties recognize that it is in no one's best interests if the entity that is to provide final approval does not see draft or indicative terms ahead of providing such final approval. As such, the proposed Financing Order provides for an issuance advice letter process that includes drafts, such that the Commission can see what the transaction is likely to resemble – both in terms of basic structure as well as the costs associated with the deal – so there are no surprises for any party after the pricing of the bonds.

At least two weeks prior to the expected start of the marketing process, DEF will file with the Commission a draft issuance advice letter and form of true-up adjustment letter that will state estimates of the bond structure, coupons, upfront bond issuance costs, ongoing financing costs, and other items set forth in the Financing Order. Subsequently, not later than one business day after the pricing of the nuclear asset-recovery bonds, the Company will update the final terms of the nuclear asset-recovery bonds and the estimated amount of upfront and ongoing financing costs in the final issuance advice letter and form of true-up adjustment letter and accompanying schedules submitted to the Commission Designee and the Commission's advisors. The issuance advice letter will report the final structure and terms of the bonds, identify the total costs securitized with the bonds, and

identify the initial nuclear asset-recovery charges to be implemented following the issuance of the bonds.

Q. When will the Commission approve the draft and final issuance advice letters?

A. For the initial draft issuance advice letter and form of true-up adjustment letter, the Company proposes that within one week after receipt of the letter, the Commission Designee and the Commission's advisors will provide to the Company any comments regarding the adequacy of the information provided, in comparison to the required elements of the issuance advice letter. The Company will also complete and file with the Commission Designee the final issuance advice letter and form of true-up adjustment letter within one business day of pricing. On the third business day after pricing, the Commission Designee will present to the Commission the results its review. If the Commission determines that the issuance advice letter and form of true-up adjustment letter and all required certifications have been delivered and the transaction complies with applicable law and this Financing Order, the transaction proceeds without any further action of the Commission, with the anticipation that it will not issue an order to stop the transaction unless the Commission determines that (a) the transaction does not comply with applicable law and this Financing Order and (b) DEF has not delivered the required certifications in a form acceptable to the Commission.

Q. Is it important for the Commission to provide prompt input into the content of the issuance advice letter and supporting documents?

A. It is very important to provide prompt input to the Company on its issuance advice letter filings, so that any potential objections or issues regarding the information provided, including but not limited to the structuring and pricing of the bonds, can be addressed as

soon as practicable. In particular, the rejection by the Commission of any pricing of the bonds after an underwriting agreement is executed could have adverse consequences to the Company and the Commission in future financing activities.

IX. CONCLUSION

Q. Please summarize your testimony.

A. For the reasons stated above, I believe the Financing Order as proposed by DEF should be adopted by the Commission.

Q. Does this conclude your testimony?

A. Yes it does, thank you.

Preliminary Capital Structure (1)(2)(3)(4)

Duke Energy Florida CR3 Preliminary Capital Structure

Class	Balance	Weighted Average Life	Assumed Ratings	Coupon	First Principal	Expected Final	Principal Window	Legal Final
A-1	165,940,000	2.0	AAA	1.250%	10/1/2016	4/1/2019	31	4/1/2020
A-2	209,370,000	5.0	AAA	2.270%	4/1/2019	10/1/2022	43	10/1/2023
A-3	488,570,000	9.9	AAA	3.190%	10/1/2022	4/1/2029	79	4/1/2030
A-4	447,920,000	15.6	AAA	3.680%	4/1/2029	10/1/2033	55	10/1/2035
Total	**1,311,800,000**	**10.1**		**3.288%**				

Key Items & Assumptions

Servicing Fee	655,900
Other Ongoing Expenses	357,000
Closing Curves	6/30/2015
Securitization Closing Date	1/1/2016
First True-Up Date	7/1/2016
First Bond Payment Date	10/1/2016
Securitization Expected Final	10/1/2033
Securitization Legal Final	10/1/2035
Semi-Annual True-Up Months	July, January
Semi-Annual Payment Date Months	October, April

Notes

1. Structure is preliminary and subject to change based on market conditions and rating agency requirements at the time of pricing
2. Structure is based in part upon information supplied by Duke which is believed to be reliable but has not been verified. Estimates of future performance are based on assumptions that may not be realized. Actual events may differ from those assumed and changes to any assumptions may have a material impact on any projections or estimates. Other events not taken into account may occur and may significantly affect the projections or estimates. Certain assumptions may have been made for modeling purposes only to simplify the presentation and/or calculation of any projections or estimates, and Morgan Stanley does not represent that any such assumptions will reflect actual future events
3. Assumes the forecast for power consumption and collection curve provided by Duke
4. Assumes no collections for first month of transaction

Semi-Annual Revenue Requirement

Payment	Date	Balance BOP	Interest	Principal	Balance EOP	Ongoing Fees	Semi-Annual Revenue Requirement	Annual Revenue Requirement
0	1/1/2016	1,311,800,000			1,311,800,000			
1	10/1/2016	1,311,800,000	29,171,841	20,330,702	1,291,469,298	759,675	50,262,218	50,262,218
2	4/1/2017	1,291,469,298	19,320,827	28,354,191	1,263,115,106	506,450	48,181,468	
3	10/1/2017	1,263,115,106	19,143,613	33,325,112	1,229,789,994	506,450	52,975,176	101,156,644
4	4/1/2018	1,229,789,994	18,935,331	28,768,759	1,201,021,235	506,450	48,210,541	
5	10/1/2018	1,201,021,235	18,755,527	33,684,127	1,167,337,108	506,450	52,946,103	101,156,644
6	4/1/2019	1,167,337,108	18,545,001	29,108,882	1,138,228,226	506,450	48,160,333	
7	10/1/2019	1,138,228,226	18,324,148	34,165,713	1,104,062,513	506,450	52,996,311	101,156,644
8	4/1/2020	1,104,062,513	17,936,368	29,929,565	1,074,132,948	506,450	48,372,383	
9	10/1/2020	1,074,132,948	17,596,667	34,681,145	1,039,451,804	506,450	52,784,262	101,156,644
10	4/1/2021	1,039,451,804	17,203,036	30,205,661	1,009,246,142	506,450	47,915,147	
11	10/1/2021	1,009,246,142	16,860,202	35,874,845	973,371,297	506,450	53,241,497	101,156,644
12	4/1/2022	973,371,297	16,453,022	31,143,597	942,227,700	506,450	48,103,069	
13	10/1/2022	942,227,700	16,099,542	36,447,582	905,780,118	506,450	53,053,575	101,156,644
14	4/1/2023	905,780,118	15,544,597	31,968,097	873,812,021	506,450	48,019,144	
15	10/1/2023	873,812,021	15,034,706	37,596,344	836,215,676	506,450	53,137,500	101,156,644
16	4/1/2024	836,215,676	14,435,044	33,213,531	803,002,145	506,450	48,155,025	
17	10/1/2024	803,002,145	13,905,288	38,589,881	764,412,264	506,450	53,001,619	101,156,644
18	4/1/2025	764,412,264	13,289,780	34,161,503	730,250,761	506,450	47,957,733	
19	10/1/2025	730,250,761	12,744,904	39,947,558	690,303,203	506,450	53,198,911	101,156,644
20	4/1/2026	690,303,203	12,107,740	35,436,379	654,866,825	506,450	48,050,569	
21	10/1/2026	654,866,825	11,542,530	41,057,095	613,809,729	506,450	53,106,075	101,156,644
22	4/1/2027	613,809,729	10,887,669	36,609,894	577,199,835	506,450	48,004,013	
23	10/1/2027	577,199,835	10,303,741	42,342,440	534,857,396	506,450	53,152,631	101,156,644
24	4/1/2028	534,857,396	9,628,379	38,000,849	496,856,547	506,450	48,135,678	
25	10/1/2028	496,856,547	9,022,266	43,492,250	453,364,297	506,450	53,020,966	101,156,644
26	4/1/2029	453,364,297	8,328,565	39,106,281	414,258,016	506,450	47,941,296	
27	10/1/2029	414,258,016	7,622,347	45,086,551	369,171,465	506,450	53,215,348	101,156,644
28	4/1/2030	369,171,465	6,792,755	40,738,628	328,432,837	506,450	48,037,833	
29	10/1/2030	328,432,837	6,043,164	46,569,197	281,863,640	506,450	53,118,811	101,156,644
30	4/1/2031	281,863,640	5,186,291	42,300,286	239,563,354	506,450	47,993,027	
31	10/1/2031	239,563,354	4,407,966	48,249,202	191,314,152	506,450	53,163,617	101,156,644
32	4/1/2032	191,314,152	3,520,180	44,100,314	147,213,839	506,450	48,126,944	
33	10/1/2032	147,213,839	2,708,735	49,814,515	97,399,323	506,450	53,029,700	101,156,644
34	4/1/2033	97,399,323	1,792,148	45,645,344	51,753,980	506,450	47,943,941	
35	10/1/2033	51,753,980	952,273	51,753,980	-	506,450	53,212,703	101,156,644

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List of Utility Securitizations

As of July 2015

State	Utility	Pricing Date	Amounts ($ Millions)
Louisiana	Entergy New Orleans	7/14/2015	99
Hawaii	Hawaiian Electric / State of Hawaii DBEDT	11/13/2014	150
Louisiana	Entergy Gulf States Louisiana	7/29/2014	71
Louisiana	Entergy Louisiana	7/29/2014	244
Michigan	Consumers Energy	7/14/2014	378
New York	LIPA	12/18/2013	2,022
West Virginia	Appalachia Power Company	11/6/2013	380
Ohio	Ohio Power Company	7/23/2013	267
Ohio	FirstEnergy Ohio	6/12/2013	445
Texas	AEP Texas Central	03/07/2012	800
Texas	CenterPoint Energy Houston	01/11/2012	1,695
Louisiana	Energy Louisiana	09/15/2011	207
Arkansas	Entergy Arkansas	08/11/2010	124
Louisiana	Entergy Gulf States Louisiana	07/15/2010	244
Louisiana	Entergy Louisiana	07/15/2010	469
West Virginia	Monongahela Company	12/30/2009	64
West Virginia	Potomac Edison Company	12/30/2009	22
Texas	CenterPoint Energy Restoration	11/18/2009	665
Texas	Entergy Texas Restoration Funding	10/30/2009	546
Louisiana	Entergy Gulf States Louisiana	08/20/2008	278
Louisiana	Entergy Louisiana	07/22/2008	688
Louisiana	CLECO 2008 - Hurricane Recovery	02/28/2008	181
Texas	CenterPoint Energy	02/12/2008	488
Texas	Entergy Gulf States	06/29/2007	330
Maryland	Baltimore Gas and Electric	06/29/2007	623
Florida	Florida Power and Light	05/22/2007	652
West Virginia	Monongahela Company	04/11/2007	344
West Virginia	Potomac Edison Company	04/11/2007	115
Texas	AEP Texas Central	10/6/2006	1,740
New Jersey	Jersey Central Power and Light	8/4/2006	182
Texas	CenterPoint Energy	12/16/2005	1,851
California	Pacific Gas & Electric	11/3/2005	844
Pennsylvania	West Penn Power	9/22/2005	115
New Jersey	Public Service Electric & Gas	9/9/2005	103
Massachusetts	Nstar (Boston Edison)	2/15/2005	674
California	Pacific Gas & Electric	2/3/2005	1,888
New Jersey	Rockland Electric	7/28/2004	46

Texas	TXU Electric Delivery	5/28/2004	790
New Jersey	Atlantic City Electric	12/18/2003	152
Texas	Oncor Electric Delivery	8/14/2003	500
New Jersey	Atlantic City Electric	12/11/2002	440
New Jersey	Jersey Central Power and Light	6/4/2002	320
Texas	Central Power and Light	1/31/2002	797
New Hampshire	Public Service of New Hampshire	1/17/2002	50
Michigan	Consumers Energy	10/31/2001	469
Texas	Reliant Energy	10/17/2001	749
Massachusetts	Western Massachusetts	5/15/2001	155
New Hampshire	Public Service of New Hampshire	4/20/2001	525
Connecticut	Connecticut Light & Power	3/27/2001	1,438
Michigan	Detroit Edison	3/2/2001	1,750
Pennsylvania	PECO Energy	2/15/2001	805
New Jersey	Public Service Electric & Gas	1/25/2001	2,525
Pennsylvania	PECO Energy	4/27/2000	1,000
Pennsylvania	West Penn Power	11/3/1999	600
Pennsylvania	Pennsylvania Power & Light	7/29/1999	2,420
Massachusetts	Boston Edison	7/14/1999	725
California	Sierra Pacific Power	4/8/1999	24
Pennsylvania	PECO Energy	3/18/1999	4,000
Montana	Montana Power	12/22/1998	64
Illinois	Illinois Power	12/10/1998	864
Illinois	Commonwealth Edison	12/7/1998	3,400
California	Southern California Edison	12/4/1997	2,463
California	San Diego Gas & Electric	12/4/1997	658
California	Pacific Gas & Electric	11/25/1997	2,901

Source: Asset-Backed Alert, Intex, Transaction Documents

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Duke Energy Florida, Inc. For Issuance of a Nuclear Asset-Recovery Financing Order	Docket No._____
	Submitted for Filing July 27, 2015

DIRECT TESTIMONY OF MICHAEL COVINGTON

ON BEHALF OF
DUKE ENERGY FLORIDA, INC.

IN RE: PETITION FOR ISSUANCE OF NUCLEAR ASSET-RECOVERY FINANCING ORDER

BY DUKE ENERGY FLORIDA, INC.

FPSC DOCKET NO. _____

DIRECT TESTIMONY OF MICHAEL COVINGTON

I. INTRODUCTION AND QUALIFICATIONS.

Q. Please state your name and business address.

A. My name is Michael Covington. My current business address is 550 South Tryon Street in Charlotte, North Carolina 28202.

Q. By whom are you employed and what are your responsibilities?

A. I am employed by Duke Energy Business Services, Inc. as the Director of Midwest and Florida Accounting. I am responsible for accounting and reporting within the regulated operations for Duke Energy outside of North and South Carolina. Specifically this includes the regulated electric operations for Duke Energy Florida ("DEF"), the regulated electric and gas operations in Ohio and Kentucky for Duke Energy Ohio, and the regulated electric operations in Indiana for Duke Energy Indiana.

Q. Please summarize your educational background and professional experience.

A. I hold a Bachelor of Science degree in Accounting from the University of North Carolina at Charlotte, a Masters of Ministry degree from Southern Wesleyan University in Central,

South Carolina, and am currently working toward an early 2016 completion of a Masters of Practical Theology degree at Wesley Seminary in Marion, Indiana. I am a Certified Public Accountant (CPA) in North Carolina and a member of the North Carolina Association of Certified Public Accountants (NCACPA) and the American Institute of Certified Public Accountants (AICPA) with a Chartered Global Management Accountant (CGMA) designation. My professional experience includes thirty-four years with Duke Energy and its predecessor company, Duke Power. I have over twenty-five years of leadership and management experience in various accounting, financial planning, and treasury functions.

Q. Are you sponsoring an exhibit in this case?

A. Yes. I am sponsoring the following exhibits which are attached to my direct testimony:

- Exhibit No. __ (MC-1), Nuclear Asset-Recovery Charge True-Up Mechanism Form; and
- Exhibit No. __ (MC-2), Accounting Entries to Record Nuclear Asset-Recovery Financing.

Each of these exhibits was prepared under my direction and control, and to the best of my knowledge all factual matters contained therein each are true and accurate.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to:

- Propose a form to be used for the true-up mechanism; and
- Present the accounting entries that will be required for the proposed nuclear asset-

recovery financing.

TRUE-UP MECHANISM

Q. Will DEF be required to true-up the Nuclear Asset-Recovery Charge?

A. Yes. According to Section 366.95(2)(c)2.d., Florida Statutes, if the Commission issues a Financing Order to DEF, the Commission will;

> "Include a formula-based mechanism for making expeditious periodic adjustments in the nuclear asset-recovery charges that customers are required to pay under the financing order and for making any adjustments that are necessary to correct for any overcollection or undercollection of the charges or to otherwise ensure the timely payment of nuclear asset-recovery bonds and financing costs and other required amounts and charges payable in connection with the nuclear asset-recovery bonds."

This true-up mechanism helps to ensure that customers pay no more or less than what is required to pay the debt service on the nuclear asset-recovery bonds and all ongoing financing costs (as further discussed in my testimony). It also helps mitigate bondholders' exposure to differences in actual and estimated sales forecasts, uncollectable accounts receivable, and cash flow variability.

Q. How often will DEF file a true-up adjustment?

A. In accordance with Section 366.95(2)(c)4., Florida Statutes, DEF or its assignee will file a petition or a letter applying a formula-based true-up mechanism with the Commission at least every six months (a "semi-annual true-up adjustment"). In the event that nuclear

asset-recovery bonds remain outstanding after the scheduled final payment date of the last tranche, the true-up adjustment will be required on a quarterly basis to ensure the bonds are paid off in full on the next payment date.

Q. How quickly will a requested true-up adjustment to the Nuclear Asset-Recovery Charge become effective?

A. The Company requests that the Commission either approve the request or inform the Company of any mathematical error in its calculation within sixty days.

Q. Apart from the semi-annual true-up adjustments, does DEF seek authority to file a true-up at any other time?

A. Yes. In addition to the semi-annual true-up adjustments, DEF seeks authority to make optional interim true-up adjustments at any time in order to ensure the recovery of revenues sufficient to provide for the timely payment of the nuclear asset-recovery bonds and all ongoing financing costs payable in connection with the nuclear asset-recovery bonds. DEF would seek approval of an optional interim true-up filing on the same basis as the semi-annual true-up adjustment (i.e., within sixty days of filing).

Q. What is DEF required to include in the true-up adjustment?

A. Section 366.95(2)(c)4., Florida Statutes, requires DEF to detail in its filing any adjustments made for the under-collection or over-collection of revenues as follows:

> "Such adjustments shall ensure the recovery of revenues sufficient to provide for the timely payment of principal, interest, acquisition, defeasance, financing costs,

or redemption premium and other fees, costs, and charges relating to nuclear asset-recovery bonds approved under the financing order."

In summary, the Nuclear Asset-Recovery Charge will be reset to a level intended to recover the sum of the following "financing costs", as defined in the statutes (which I refer to as the "periodic revenue requirement"):

- Principal of (in accordance with the Expected Amortization Schedule), and interest on the nuclear asset-recovery bonds;
- Costs of the Servicer for the nuclear asset-recovery bonds;
- Additional costs of administering the SPE and servicing the nuclear asset-recovery bonds, including, without limitation, auditing fees, regulatory assessment fees, legal fees, trustee fees, expenses and indemnities and rating agency expenses. Details of these costs are illustrated in Exhibit No. __ (BB-1) in Mr. Buckler's testimony;
- Amounts required to replenish any amounts drawn from the capital subaccount, and to provide for DEF's return on its capital contribution; and
- Other ongoing expenses of any other credit enhancement agreement, including any amount or termination payment that might become due and payable by the SPE as a result of any interest rate swap agreement entered into in connection with floating rate nuclear asset-recovery bonds, if issued (currently, DEF expects the bonds to be issued in fixed-rate tranches, and thus floating-to-fixed rate swaps are currently not expected to be necessary).

Q. How will the true-up mechanism work?

A. Exhibit No. ___ (MC-1) demonstrates how DEF proposes the true-up mechanism would

work to address the overcollection or undercollection of the Nuclear Asset-Recovery Charge for a prior period. Once the total average retail nuclear asset-recovery charge per kWh is calculated for the upcoming remittance period, it is broken down to specific charges per customer rate class. This breakdown is addressed by Ms. Olivier in her testimony.

Q. Will over or under recoveries of the Nuclear Asset-Recovery Charge be tracked on a class-by-class basis for determining future charges?

A. No. Any over or under recoveries for any prior period will simply be used to adjust the periodic revenue requirement for the next period, thus benefiting all customers classes. This "cross collateralization" will strengthen the security for the bonds.

Q. In addition to the semi-annual true-up adjustments and the optional interim adjustments, does DEF seek authority to file other types of true-ups?

A. Yes. DEF seeks authority to make non-standard true-ups at any time following a base rate change that includes any change in the rate allocation among customers used in determining the nuclear asset-recovery charges, such changes to go into effect simultaneously with any changes to DEF's other base rates. DEF requests that the Commission have sixty days in which to process a non-standard true-up request.

Q. How long will the Nuclear Asset-Recovery Charge be imposed and collected?

A. The Nuclear Asset-Recovery Charge will be imposed and collected until the nuclear asset-recovery bonds have been paid in full or legally discharged and the other financing

costs have been paid in full or fully recovered, provided that the charges will not be imposed after a date which is 20 years following the issuance date of the bonds. However, any charges imposed prior to such date may be collected after such date.

Q. Will DEF reconcile Nuclear Asset-Recovery Charge collections and estimated remittances?

A. Yes. On or before April 1 of each year, DEF will reconcile Nuclear Asset-Recovery Charge collections during the prior calendar year with amounts remitted. If Nuclear Asset-Recovery Charges have been under-remitted, DEF will remit the shortfall to the indenture trustee on the next servicer business day. If the Nuclear Asset-Recovery Charges have been over-remitted, then DEF will reduce the next succeeding remittance(s) by the amount of the over-remittance. DEF will also update the data underlying the weighted average days outstanding and delinquency factors.

Q. What will happen with Nuclear Asset-Recovery Charge collections following repayment of the Nuclear Asset-Recovery Bonds and any related financing costs?

A. Upon payment in full of the nuclear asset-recovery bonds and all related financing costs, any remaining amounts held by the SPE (exclusive of the amounts in the capital subaccount, representing the equity contribution, together with any return on the capital subaccount) will be remitted to DEF to be credited to customers' bills in the same manner that the Nuclear Asset-Recovery Charges were collected, or through a credit to the capacity cost recovery clause if the Commission determines at the time that a direct credit to customers' bills would not be cost-effective.

ACCOUNTING FOR NUCLEAR ASSET-RECOVERY

Q. Please describe the overall accounting treatment for nuclear asset-recovery financing.

A. As explained in Mr. Buckler's direct testimony, DEF will conduct nuclear asset-recovery financing through an SPE. The SPE will be created solely to facilitate nuclear asset-recovery financing and will be a wholly-owned subsidiary of DEF. The SPE and DEF will maintain separate accounting records. The accounting entries necessary to record nuclear asset-recovery financing activities, along with an explanation of each, are illustrated in my Exhibit No. __ (MC-2).

Q. Is DEF requesting Commission approval for any specific accounting treatment associated with the proposed nuclear asset-recovery financing?

A. Yes. The SPE is seeking approval to transfer the Nuclear Asset-Recovery Property and to classify the assets as nuclear asset-recovery property as defined in Section 366.95(1)(l), Florida Statutes.

Q. What amount of Nuclear Asset-Recovery Property is DEF proposing to sell to the SPE?

A. DEF is proposing to sell Nuclear Asset-Recovery Property in the amount of approximately $1.298 billion to the SPE as of December 31, 2015 plus any carrying costs that accrue for the period beginning December 31, 2015 until the bond issuance date. Additionally, all paid (or accrued) upfront financing costs, primarily bond issuance costs,

will also be included in the amounts funded through the bond financing at the SPE.

Q. How will the SPE amortize this nuclear asset-recovery property?

A. The SPE will amortize the nuclear asset-recovery property based on the principal amount required for the repayment of the bonds over the expected life of the bonds.

Q. What are the anticipated accounting entries to be recorded at the SPE?

A. As illustrated on pages 1 and 2 of my Exhibit No. __ (MC-2), the accounting entries to be recorded by the SPE are as follows: (1) recording of capital subaccount from DEF's equity investment; (2) recording of proceeds from the issuance of bonds; (3) purchase of nuclear asset-recovery property from DEF; (4) receipt of cash from DEF for the Nuclear Asset-Recovery Charges collected; (5) amortization of the nuclear asset-recovery property; (6) accrual of interest expense; (7) amortization of upfront bond issuance costs; (8) payment of bond principal and interest; (9) recording of on-going operating costs and servicing fees payable; (10) replenishment of capital subaccount, if needed; (11) return impacts on the capital subaccount; and (12) transfer of cash to the excess funds subaccount in the event of excess Nuclear Asset-Recovery Charges collected, if any.

Q. What are the anticipated accounting entries to be recorded at DEF?

A. As illustrated on pages 3 and 4 of my Exhibit No. __ (MC-2), the accounting entries to be recorded by DEF are as follows: (1) recording of expenditure of cash to fund the capital subaccount at the SPE and a related investment; (2) sale of the nuclear asset-recovery property to the SPE; (3) recognition and collection of Nuclear Asset-Recovery Charges;

(4) collection and remittance of revenue related taxes on the Nuclear Asset Recovery Charges (i.e., gross receipts tax, franchise fee, etc.); (5) interest on remittances (only if applicable); and (6) impact of earnings of the SPE.

Q. How will Nuclear Asset-Recovery Charges collected from customers be recorded?

A. The Nuclear Asset-Recovery Charge collections will be remitted to and recorded as revenues at the SPE.

Q. Please describe how the Company, as Servicer, proposes to remit Nuclear Asset-Recovery Charges to the SPE.

A. DEF, as servicer, will be required to remit Nuclear Asset-Recovery Charges directly to the Bond Trustee. As DEF does not track its customer charges on a daily basis, DEF will remit Nuclear Asset-Recovery Charges based on estimated daily collections using a weighted average balance of days outstanding (ADO) on DEF's retail bills. Collections remitted daily will represent the charges estimated to have been received on any day, based upon the ADO and estimated write-offs. For example, if DEF's retail bills are outstanding, on a weighted average basis, for a period of thirty days, then DEF will remit to the SPE the Nuclear Asset-Recovery Charges estimated to be collected on a particular date, less an assumed delinquency rate, thirty days thereafter.

Q. Can DEF remit the Nuclear Asset-Recovery Charges Less Frequently than Daily under Certain Conditions?

A. Yes, under certain circumstances. Provisions within the servicing agreement may also permit DEF to remit Nuclear Asset-Recovery Charges monthly, instead of daily. DEF

may only exercise this option if the conditions of the Servicing Agreement are satisfied, These conditions will be driven by rating agency requirements to achieve and maintain the targeted "AAA" ratings on the bonds, and may include the maintenance by DEF of a minimum credit rating(s), the maintenance of reserves, or other conditions. If DEF is eligible to remit charges monthly, and elects to do so, then charges would be remitted based upon the same general methodology. For example assuming again that charges are outstanding on average for thirty days, then all charges which are assumed to be collected during a calendar month will be remitted on the first Business Day of the next calendar month. DEF would include in any remittance investment earnings which are estimated to have been earned on such collections in the hands of DEF. A monthly remittance process for the Nuclear Asset-Recovery Charges would only occur if it does not negatively impact the credit ratings for the bonds.

Q. How will DEF allocate partial payments on a bill to the Nuclear Asset-Recovery Charge?

A. When doing the annual reconciliations, partial payments will be allocated to Nuclear Asset-Recovery Charges in the same proportion that such charges bear to the total bill. The first dollars collected would be attributed to past due balances, if any. Once those balances are paid in full, if cash collections are not sufficient to pay a customer's current bill, then the cash would be prorated between the different components of the bill.

SUMMARY

Q. Please summarize your testimony.

A. I have presented a proposed true-up mechanism to adjust the Nuclear Asset-Recovery Charge for any over or under recoveries. Finally, I have presented and discussed the necessary accounting entries to record the proposed nuclear asset-recovery financing.

Q. Does this conclude your testimony?

A. Yes.

Nuclear Asset-Recovery Charge True-Up Mechanism Form

For the Period _____ through _____

		Description		Calculation of the True-up (1)		Projected Revenue Requirement to be Billed and Collected (2)		Revenue Requirement for Projected Remittance Period (1)+(2)=(3)
1		**Nuclear Asset-Recovery Bond Repayment Charge (remitted to SPE)**						
2								
3		True-up for the Prior Remittance Period Beginning __ and Ending__:						
4		Prior Remittance Period Revenue Requirements						
5		Prior Remittance Period Actual Cash Receipt Transfers Interest income:						
6		Cash Receipts Transferred to the SPE						
7		Interest income on Subaccounts at the SPE						
8		Total Current Period Actual Daily Cash Receipts Transfers and Interest Income (Line 6 + 7)		-				
9		(Over)/Under Collections of Prior Remittance Period Requirements (Line 4+8)		-				
10		Cash in Excess Funds Subaccount		-				
11		Cumulative (Over)/Under Collections through Prior Remittance Period (Line 9+10)		$ -				$ -
12								
13								
14		Current Remittance Period Beginning _____ and Ending _____						
15		Principal						
16		Interest						
17		Servicing Costs						
18		Other On-Going Costs						
19		Total Current Remittance Period Revenue Requirement (Line 15+16+17+18)		$ -				
20								
21		Current Remittance Period Cash Receipt Transfers and Interest Income:						
22		Cash Receipts Transferred to SPE	(A)		(B)			
23		Interest Income on Subaccounts at SPE	(A)		(B)			
24		Total Current Remittance Period Cash Receipt Transfers and Interest Income (Line 22+23)		$ -		$ -		
25		Estimated Current Remittance Period (Over)/Under Collection (Line 19+24)		$ -		$ -		$ -
26								
27								
28		Projected Remittance Period Beginning _____ and Ending _____						
29		Principal						
30		Interest						
31		Servicing Costs						
32		Other On-Going Costs						
33		Projected Remittance Period Revenue Requirement (Line 29+30+31+32)				$ -		$ -
34								
35		Total Revenue Requirements to be Billed During Projected Remittance Period (Line 11+25+33)						$ -
36		Forecasted KWh Sales for the Projected Remittance Period (adjusted for uncollectibles)						
37		Average Retail Nuclear Asset-Recovery Charge per kWh (Line 35/36)					(C)	0
38								
39								
40								
41		Notes:						
42		(A) Amounts are based on a billed and collected basis.						
43		(B) Includes estimated amounts for ___ through ___.						
44		(C) Allocation of this amount to each rate class is addressed by Ms. Olivier in her testimony.						

Accounting Entries to Record Nuclear Asset-Recovery Financing
by the
Special Purpose Entity (SPE)

Description	Debit	Credit	Income Statement	Balance Sheet
Entries for the Set-up of the SPE				
To record the initial investment and establish a restricted cash account in the SPE by DEF.				
Cash/Capital Subaccount	X			X
Shareholder's Equity		X		X
Entries Related to the Issuance of Nuclear Asset-Recovery Bonds				
To record the issuance of nuclear asset-recovery bonds.				
Cash	X			X
Upfront Bond Issuance Costs	X			X
Bonds Payable		X		X
Entries Related to the Purchase of Nuclear Asset-Recovery Property from DEF				
To record the purchase of the Nuclear Asset Recovery Property from DEF related to nuclear asset-recovery financing.				
Nuclear Asset-Recovery Property	X			X
Cash		X		X
Monthly Entries Related to Nuclear Asset-Recovery Financing				
To record revenues from the collection of Nuclear Asset-Recovery Charges from customers.				
Accounts Receivable from DEF	X			X
Revenues		X	X	
To record the proceeds of Nuclear Asset-Recovery Charges collected by DEF and to be remitted to SPE.				
Cash/General Subaccount	X			X
Accounts Receivable from DEF		X		X
To record the amortization of the nuclear asset-recovery property.				
Amortization Expense	X		X	
Nuclear Asset-Recovery Property		X		X

Accounting Entries to Record Nuclear Asset-Recovery Financing
for the
Special Purpose Entity (SPE)

Description	Debit	Credit	Income Statement	Balance Sheet
Monthly Entries Related to Nuclear Asset-Recovery Financing (continued)				
To record interest expense on the nuclear asset-recovery bonds.				
Interest Expense	X		X	
Interest Payable		X		X
To record amortization of the upfront bond issuance costs.				
Interest Expense – Issuance Costs	X		X	
Upfront Bond Issuance Costs		X		X
To record payment of principal and interest on the nuclear asset-recovery bonds.				
Bonds Payable	X			X
Interest Payable	X			X
Cash/General Subaccount		X		X
To record on-going operating costs and servicing fees.				
Admin & General Expense	X		X	
Cash/General Subaccount		X		X
To record payment of principal and interest on the nuclear asset-recovery bonds if revenues received from the Nuclear Asset-Recovery Charge are insufficient.				
Bonds Payable	X			X
Interest Payable	X			X
Cash/General Subaccount		X		X
To record replenishment of the capital subaccount through the true-up mechanism, if funds are used.				
Cash/Capital Subaccount	X			X
Cash/General Subaccount		X		X
To reflect the collection of return on capital subaccount and associated cash dividend				
Cash/Capital Subaccount	X			X
Cash/General Subaccount		X		X
Member's Equity – Cash Dividend to DEF	X			X
Cash/Capital Subaccount		X		X
To record excess proceeds from the Nuclear Asset-Recovery Charges remitted to the SPE after payments for principal, interest, on-going operating costs and servicing fees, and replenishment of the capital subaccount.				
Cash/Excess Funds Subaccount	X			X
Cash/General Subaccount		X		X

Accounting Entries to Record Nuclear Asset-Recovery Financing
for
Duke Energy Florida, Inc. (DEF)

Description	Debit	Credit	Income Statement	Balance Sheet
Entries for the Set-up of the SPE				
To record the initial investment in the SPE by DEF.				
Investment in SPE	X			X
Cash		X		X
Entries Related to the Sale of Nuclear Asset-Recovery Property to the SPE				
To record the sale of the Nuclear Asset-Recovery Property to the SPE.				
Cash	X			X
Regulatory Assets		X		X
Monthly Entries Related to Nuclear Asset-Recovery Financing				
To record revenues of Nuclear Asset-Recovery Charges collected by DEF on behalf of the SPE.				
Customer Accounts Receivable	X			X
Accounts Payable to SPE		X		X
To record the revenue related taxes on the Nuclear Asset-Recovery collected by DEF.				
Revenue Taxes and Fees (GRT, franchise fees, etc.)	X		X	
Revenue Taxes and Fees Payable (GRT franchise fees, etc.)		X		X

Accounting Entries to Record Nuclear Asset-Recovery Financing
for
Duke Energy Florida, Inc. (DEF)

Description	Debit	Credit	Income Statement	Balance Sheet
Monthly Entries Related to Nuclear Asset-Recovery Financing (continued)				
To record collection of cash received from customers.				
Cash	X			X
Customer Accounts Receivable		X		X
To record the payment of Nuclear Asset-Recovery Charges to the SPE.				
Accounts Payable to SPE	X			X
Cash		X		X
To record payment of revenue related taxes.				
Revenue Taxes and Fees Payable (GRT, franchise fees, etc.)	X			X
Cash		X		X
To record Remittance earnings (if applicable)				
Interest Expense	X		X	
Cash		X		X
To record capital investment fund earnings and associated dividend				
Investment in SPE	X			X
Equity Earnings		X	X	
Cash Dividend from SPE	X			X
Investment in SPE		X		X

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Duke Energy Florida, Inc. For Issuance of a Nuclear Asset-Recovery Financing Order	Docket No._____
	Submitted for Filing July 27, 2015

DIRECT TESTIMONY OF MARCIA OLIVIER

ON BEHALF OF
DUKE ENERGY FLORIDA, INC.

IN RE: PETITION FOR ISSUANCE OF NUCLEAR ASSET-RECOVERY FINANCING ORDER

BY DUKE ENERGY FLORIDA, INC.

FPSC DOCKET NO. _____

DIRECT TESTIMONY OF MARCIA OLIVIER

I. INTRODUCTION AND QUALIFICATIONS.

Q. Please state your name and business address.

A. My name is Marcia Olivier. My current business address is 299 First Avenue North, Saint Petersburg, FL 33701.

Q. By whom are you employed and what are your responsibilities?

A. I am employed by Duke Energy Business Services, Inc., an affiliate of Duke Energy Florida, Inc. ("DEF" or the "Company"), as Director of Rates and Regulatory Planning for Florida. I am responsible for overseeing rate cases, reporting actual and projected earnings surveillance results, and supporting state regulatory initiatives.

Q. Please summarize your educational background and professional experience.

A. I hold a Bachelor of Science degree in Accounting and a Bachelor of Science degree in Finance from the University of South Florida and have over 18 years of utility experience, primarily in the Rates and Regulatory Strategy department.

Q. Are you sponsoring any exhibits in this case?

A. Yes. I am sponsoring the following exhibits which are attached to my direct testimony:

- Exhibit No. __ (MO-1A), Proposed Nuclear Asset-Recovery Charge by Rate Class;
- Exhibit No. __ (MO-2A), CR3 Regulatory Asset Annual Revenue Requirement - Traditional Recovery Method;
- Exhibit No. __ (MO-2B), CR3 Regulatory Asset Annual Revenue Requirement – Nuclear-Asset Recovery Charge Method;
- Exhibit No. __ (MO-3A), Traditional Recovery Method Base Rate Increase by Rate Schedule;
- Exhibit No. __ (MO-4A), Comparison between Proposed Nuclear Asset-Recovery Charge and Traditional Recovery Method by Rate Schedule;
- Exhibit No. __ (MO-5A), Sample Bill Calculations; and
- Exhibit No. __ (MO-6A), Proposed Tariff Sheets.

Each of these exhibits was prepared under my direction and control, and to the best of my knowledge all factual matters contained therein each are true and accurate.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to support the calculation of DEF's proposed charges to customers necessary to pay the nuclear asset-recovery costs and financing costs (the "Nuclear Asset-Recovery Charge"). The nuclear asset-recovery costs consist of the component amounts contained in DEF's CR3 Regulatory Asset as filed by DEF on May 22, 2015 in Docket No. 150148-EI, "Petition for approval to include in base rates the revenue requirement for the CR3 regulatory asset."

The proposed Nuclear Asset-Recovery Charge is independent of and incremental

to DEF's retail base rates. The proposed Nuclear Asset-Recovery Charge is an energy charge that under Section 366.95, Florida Statutes, would be required to be paid by all existing or future customers receiving transmission or distribution service from DEF or its successors or assignees under Commission-approved rate schedules or under special contracts.

As discussed in DEF Witness Buckler's testimony, DEF is proposing the use of the Nuclear Asset-Recovery Charge as the recommended method of recovering nuclear asset-recovery costs and financing costs after considering the traditional method of recovering such costs. Based on current market conditions, I will demonstrate that the issuance of the nuclear asset-recovery bonds and the imposition of the Nuclear Asset-Recovery Charge have a significant likelihood of resulting in lower overall costs or would significantly mitigate rate impacts to customers as compared with the traditional method of financing and recovering nuclear asset-recovery costs (the "Traditional Recovery Method" which is discussed later in my testimony).

Q. What is the scope of your testimony?

A. My testimony is principally devoted to identifying the nuclear asset-recovery costs that DEF proposes to finance using nuclear-asset recovery bonds, providing the calculation of the annual projected revenue requirements under the Traditional Recovery Method as compared to DEF's proposed method, and outlining the steps followed in calculating the proposed Nuclear Asset-Recovery Charge by rate class. While the final Nuclear Asset-Recovery Charge by rate class will not be calculated until after the final terms of an issuance of nuclear asset-recovery bonds have been established, my testimony outlines

the methodology that will be used in developing the proposed Nuclear Asset-Recovery Charge. Barring significant changes in the terms of an issuance of nuclear asset-recovery bonds, or significant changes in embedded benchmark interest rates or credit spreads of securitization bonds, the results presented in my testimony, including the proposed Nuclear Asset-Recovery Charges, should closely approximate the final figures.

My testimony addresses the following subject areas:

- A description of DEF's nuclear asset-recovery costs proposed for nuclear asset-recovery financing;
- The calculation of the proposed Nuclear Asset-Recovery Charge by customer rate class;
- The calculation of the total estimated cumulative revenue requirements under the Traditional Recovery Method and a comparison to the total estimated cumulative revenue requirements under the proposed Nuclear Asset-Recovery Charge;
- The impact of the Nuclear Asset-Recovery Charge on retail customers and how this impact compares with the Traditional Recovery Method; and
- The tariff revisions needed to implement the Nuclear Asset-Recovery Charge.

II. NUCLEAR ASSET-RECOVERY COSTS

Q. What is the definition of nuclear asset-recovery costs?

A. As defined in Section 366.95(1)(k), Florida Statutes:

"Nuclear asset-recovery costs means:

1. At the option of and upon petition by the electric utility, and as approved by the

commission pursuant to sub-subparagraph (2) (c)1.b., pretax costs that an electric utility has incurred or expects to incur which are caused by, associated with, or remain as a result of the early retirement or abandonment of a nuclear generating asset unit that generated electricity and is located in this state where such early retirement or abandonment is deemed to be reasonable and prudent by the commission through a final order approving a settlement or other final order issued by the commission before July 1, 2017, and where the pretax costs to be securitized exceed $750 million at the time of the filing of the petition. Costs eligible or claimed for recovery pursuant to Section 366.93 are not eligible for securitization under this section unless they were in the electric utility's rate base and were included in base rates before retirement or abandonment.

2. Such pretax costs, where determined appropriate by the commission, include, but are not limited to, the capitalized cost of the retired or abandoned nuclear generating asset unit, other applicable capital and operating costs, accrued carrying charges, deferred expenses, reductions for applicable insurance and salvage proceeds and previously stipulated write-downs or write-offs, if any, and the costs of retiring any existing indebtedness, fees, costs, and expenses to modify existing debt agreements or for waivers or consents related to existing debt agreements."

Q. Do the cost amounts contained in DEF's CR3 Regulatory Asset, as defined in your direct testimony filed on May 22, 2015 in Docket No. 150148-EI, meet the definition of nuclear asset-recovery costs pursuant to Section 366.95 (1)(k) Florida Statutes?

A. Yes, for several reasons. First, the costs incurred by DEF that comprise the CR3 Regulatory Asset are associated with the early retirement of CR3, which generated

electricity and is located in Florida. In addition, the commission deemed the early retirement of CR3 reasonable and prudent through its approval of DEF's Revised and Restated Stipulation and Settlement Agreement (the "RRSSA") on November 12, 2013 in Order No. PSC-13-0598-FOF-EI. Further, the pretax costs to be securitized exceed $750 million. Finally, the costs eligible for recovery pursuant to Section 366.93 that are included in the CR3 regulatory asset are those that were included in DEF's rate base and base rates before the retirement.

Q. Please describe the costs that make up the CR3 Regulatory Asset that were included in your May 22, 2015 filing.

The CR3 Regulatory Asset is made up of the components shown in the RRSSA Exhibit 10, in the column titled "Subject to Cap". RRSSA Exhibit 10 is also attached to my direct testimony filed on May 22, 2015 as Exhibit No. __(MO-1). In addition, the projected costs at December 31, 2015 within each of these categories are included in Exhibit No. ___(MO-2) in that same filing. These costs include the net book value of the retired CR3 plant; costs associated with construction projects that were in progress at the time of the retirement; inventories of nuclear fuel, materials and supplies; certain deferred expenses; accumulated carrying charges; and the portion of the cost of removal regulatory asset that is associated with CR3. All of these components, net of an agreed upon write-down of $295 million, make up the $1.298 billion projected balance at December 31, 2015 in DEF's May 22, 2015 request.

Q. Please indicate whether DEF proposes to finance all or a portion of the CR3

Regulatory Asset included in your May 22, 2015 request using nuclear asset-recovery bonds.

A. DEF proposes to finance the entire balance of the CR3 Regulatory Asset that is approved by the Commission. It should be noted that the CR3 Regulatory Asset balance at December 31, 2015 includes reductions for estimated future nuclear fuel sales proceeds to be received both in and beyond 2015 and increases for estimated carrying charges through December 31, 2015.

Q. How does DEF propose to treat the nuclear fuel sales proceeds that are expected to be received after the issuance of the nuclear asset-recovery bonds?

A. DEF's proposed treatment of nuclear fuel proceeds is included in my direct testimony filed in Docket No. 150148-EI. Since the amount of the CR3 Regulatory Asset cannot be adjusted after the nuclear asset-recovery bonds have been issued, DEF has reduced the CR3 Regulatory Asset balance for the estimated future nuclear fuel sales proceeds and proposes to recover the carrying charge at a pre-tax rate of return of 8.12% on the amount of that reduction through the Capacity Cost Recovery Clause (the "CCR") until those proceeds are received. The 8.12% pre-tax rate of return is consistent with the amount authorized in the RRSSA. Once all proceeds have been received, if they are different from the amount of the reduction to the CR3 Regulatory Asset, then the difference will be amortized over a period to be established through the annual CCR proceedings.

Q. How does DEF propose to treat the difference between the 2015 carrying charges on the CR3 Regulatory Asset to be approved by the Commission in the financing order

and the actual amount of carrying charges in 2015 as well as carrying charges beyond 2015?

A. Given that there could be a difference between the amount of 2015 carrying charges that the commission approves as part of the CR3 Regulatory Asset in the financing order and the final amount of carrying charges in 2015, and given that DEF will incur carrying charges beyond 2015 until the date of the bond issuance if the bond issuance does not occur by December 31, 2015, DEF will reflect the actual carrying charges at the time of its bond issuance in its bond issuance amount. The amount of the carrying charges that will be added to the CR3 Regulatory Asset balance on a monthly basis will be calculated by multiplying the actual average monthly CR3 Regulatory Asset balance by .48676%. This rate is calculated by discounting the annual rate of 6% approved in the RRSSA based on the discount formula in Rule 25-6.0141, F.A.C. These carrying charges will be subject to review for mathematical errors when DEF submits its tariff schedules.

Q. Has DEF included carrying charges beyond 2015 for purposes of calculating revenue requirements and customer rate impacts in this particular filing?

A. No. All of the calculations of revenue requirements and rate impacts under both the proposed Nuclear Asset-Recovery Charge and the Traditional Recovery Method that will be discussed later in my testimony and exhibits do not include any carrying charges beyond 2015. As further explained in Mr. Buckler's testimony, the Company will work to issue the nuclear asset-recovery bonds as soon as practicable and prior to March 31, 2016. Since the issuance date is not certain, carrying charges beyond December 31, 2015 have not been estimated in either scenario. However, the CR3 Regulatory Asset balance

under either scenario will continue to increase by approximately $6.3 million per month in 2016 from the $1.298 billion December 31, 2015 projected balance for which DEF requested approval on May 22, 2015 in Docket No. 150148-EI.

III. THE CALCULATION OF THE NUCLEAR ASSET-RECOVERY CHARGE

Q. How does DEF propose to allocate the costs recoverable under the Nuclear Asset-Recovery Charge to the rate classes?

A. DEF proposes to allocate the costs recoverable under the Nuclear Asset-Recovery Charge in the same manner consistent with the allocation methodology in DEF's most recent rate case, approved on March 5, 2010 in Order No. PSC-10-0131-FOF-EI. That approved allocation methodology for DEF is the 12CP and 1/13 AD. Spelled out, that means twelve-thirteenths of the revenue requirement is allocated based on 12 monthly coincident peaks (or demand), and one-thirteenth is allocated based on average demand (or energy).

Q. Please discuss the calculation of the Nuclear Asset-Recovery Charge by customer rate class.

A. The allocation methodology described above is used in the calculation of the Nuclear Asset-Recovery Charge by customer rate class in Exhibit No. __ (MO-1A). The allocation factors as well as the kWh sales forecast used to calculate the Nuclear Asset-Recovery Charge were filed in the May 1, 2015 Nuclear Cost Recovery Clause projection filing for 2016 (Docket No. 150009-EI). The allocation factors were applied to the total first year revenue requirements presented in Exhibit No. __ (MO-2B) in order to allocate

the revenue requirements to each customer rate class. Next, the rate for the secondary metering level was calculated by dividing total revenue requirements for each customer rate class by the effective kWh sales at secondary metering level for each customer rate class. Then the rates for primary and transmission metering levels were calculated by applying metering reductions of 1% and 2%, respectively, from the secondary rate. Then these rates were grossed-up to reflect uncollectible account write-offs and the regulatory assessment fee to arrive at the Nuclear Asset-Recovery Charge by rate schedule.

Q. Is an adjustment for write-offs typically made in computing other pass-through charges?

A. No. The cost of write-offs is normally recovered as a base rate expense. However, in this case, it is important that a specific adjustment for write-offs be made. As discussed in DEF Witness Mr. Collins' testimony, the right to impose, collect and adjust the Nuclear Asset-Recovery Charge will be sold to the Special Purpose Entity (SPE), and such right, including the payment stream from the Nuclear Asset-Recovery Charge, will be pledged by the SPE to the payment of the nuclear asset-recovery bonds. Therefore, the Nuclear Asset-Recovery Charge should reflect the actual revenues likely to be collected, taking into account expected write-offs.

Q. How will the regulatory assessment fee be collected and remitted?

A. Regulatory assessment fees are a component of the financing costs. As such, they will be collected as part of the Nuclear-Asset Recovery Charge and paid in accordance with the priority of payments (or waterfall) as further explained in Mr. Buckler's and Mr. Collins'

testimonies.

Q. Will each rate class's Nuclear Asset-Recovery Charge remain fixed over time?

A. No. Each rate class's Nuclear Asset-Recovery Charge will be subject to periodic adjustments.

Q. How will the periodic adjustments to the Nuclear Asset-Recovery Charge be determined?

A. A formula-based true-up process will be used to make periodic adjustments to the Nuclear Asset-Recovery Charge. As described in Mr. Covington's testimony, in any given period differences between the estimated and actual amount of Nuclear Asset-Recovery Charge collections and financing costs will result in an adjustment to the Nuclear Asset-Recovery Charge.

Q. Can you describe how this formula-based true-up process will work?

A. Yes. At least every six months a new estimated revenue requirement will be calculated using the Nuclear Asset-Recovery Charge True-Up Mechanism Form that Mr. Covington presents in Exhibit No. __ (MC-1). This new estimated revenue requirement will take into account the total financing costs (including debt service) for the forecasted period and prior period adjustments. DEF will then calculate the customer rate impact by customer rate class consistent with Exhibit No. __ (MO-1A) using the most current commission approved allocation methodology and most current filed load research study and kWh sales forecast by rate class for the period over which the Nuclear Asset-

Recovery Charge will be billed.

Q. Would the same formula-based mechanism be used in the event of an under-recovery of nuclear asset-recovery bond financing costs?

A. Yes.

Q. What is the expected trend in the Nuclear Asset-Recovery Charge over time?

A. While it is impossible to know the results of the true-up process in advance, the nuclear asset-recovery bonds have been structured to produce substantially stable charges over time. The projected revenue requirements under the Nuclear Asset-Recovery Charge vary inversely with expected load growth. Consequently, each rate class's Nuclear Asset-Recovery Charge should be relatively constant over time barring unexpected load and cost variations.

IV. COMPARISON OF THE NUCLEAR ASSET-RECOVERY CHARGE TO THE TRADITIONAL RECOVERY METHOD

Q. What is the total estimated revenue requirement under the Nuclear Asset-Recovery Charge as compared to the Traditional Recovery Method?

A. The total estimated cumulative revenue requirement under the Nuclear Asset-Recovery Charge is provided in Exhibit No. __ (MO-2B). That estimated cumulative amount over the total period of outstanding bonds is $1,770 million based on market conditions that existed as of June 30, 2015. By contrast, the total cumulative revenue requirement under the Traditional Recovery Method, as shown in Exhibit No. __ (MO-2A), is $2,560

million. The difference in total cumulative revenue requirements is $790 million, or 31%.

Q. How are costs related to the "CR3 Regulatory Asset" proposed to be allocated by rate class under the "Traditional Recovery Method"?

A. Under the RRSSA, the CR3 Regulatory Asset base rate increase would be implemented through a uniform percentage increase to the demand and energy charges, including delivery voltage credits, power factor adjustments, and premium distribution service referenced in the Company's base rate schedules existing at the time of the base rate increase and would be calculated using the billing determinants included in DEF's most recent projection clause filing. The calculation of that base rate increase is attached as Exhibit No. __ (MO-3A) (also provided in Exhibit No. __ (MO-4) to my direct testimony filed on May 22, 2015 in Docket No. 150148-EI).

Q. What is the process for adjusting the base rate increase under the Traditional Recovery Method of recovering the CR3 Regulatory Asset?

A. Under the RRSSA, DEF shall petition for an update to the base rate factor associated with the CR3 Regulatory Asset with the most recent billing determinants at least every four years. DEF is authorized to recover the CR3 Regulatory Asset over a period not to exceed 20 years.

Q. How does the estimated rate impact under the proposed Nuclear Asset-Recovery Charge compare with the Traditional Recovery Method?

A. The proposed Nuclear Asset-Recovery Charge significantly mitigates rate impacts to

customers as compared to the traditional method of financing and recovering the CR3 Regulatory Asset. As Exhibit No. __ (MO-4A) shows, on a residential 1,000 kWh bill, the monthly cost based on the initial customer rate increase would be $3.17 under the proposed Nuclear Asset-Recovery Charge as compared to $5.01 under the Traditional Recovery Method, for an estimated savings of $1.84 per month, or 37%. This comparison is also shown in Exhibit No. __ (MO-5A), page 1 of 3. Note that the savings in Exhibit No. __ (MO-5A) of $1.89 on a 1,000 kWh monthly bill include the impact of a lower gross receipts tax due to the lower customer rate on which the tax is based.

Q. How does the estimated rate impact under the proposed Nuclear Asset-Recovery Charge compare with the Traditional Recovery Method for commercial customers?

A. Similar to the impact on residential customers, the proposed Nuclear Asset-Recovery Charge significantly mitigates rate impacts to commercial customers as compared to the traditional method of financing and recovering the CR3 Regulatory Asset. First, as shown in Exhibit No. __ (MO-4A), the Traditional Recovery Method customer rate impact has been translated into cents/kWh in order to compare the two recovery methods on the same basis. As Exhibit No. __ (MO-4A) shows, the proposed Nuclear Asset-Recovery Charge initial rate increase would be .219 cents/kWh as compared to .333 cents/kWh under the Traditional Recovery Method, a savings of .114 cents/kWh, or 34%, for the majority of commercial customers (those on the GSD-1 customer rate schedule at the secondary voltage metering level). This comparison is also shown on Exhibit No. __ (MO-5A), page 2 of 3, for a small (50 kW) commercial customer with a 46% load factor at the secondary voltage metering level, for which monthly savings are estimated to be

$27.58.

Q. How does the estimated rate impact under the proposed Nuclear Asset-Recovery Charge compare with the Traditional Recovery Method for industrial customers?

A. The proposed Nuclear Asset-Recovery Charge significantly mitigates rate impacts to industrial customers as compared to the traditional method of financing and recovering the CR3 Regulatory Asset. As Exhibit No. __ (MO-5A), page 3 of 3, shows, a large industrial customer of 10,000 kW demand at an 80% load factor and a transmission voltage level (under the GSDT-1 rate schedule, which is similar to the GSD-1 rate schedule described above, except at the transmission voltage metering level) would realize estimated savings of $1,558.65 per month under the proposed Nuclear Asset-Recovery Charge as compared to the Traditional Recovery Method.

V. TARIFF SHEETS

Q. Have you developed the proposed tariff sheets needed to implement the Nuclear Asset-Recovery Charge?

A. Yes. Proposed tariff sheet numbers 6.105 and 6.106, which are provided in Exhibit No. __ (MO-6A), have been developed to implement the Nuclear Asset-Recovery Charge.

Q. Does the proposed tariff language indicate that the Nuclear Asset-Recovery Charge is a non-bypassable charge?

A. Yes. The following language is included to indicate the nonbypassable nature of the charge:

> The Nuclear Asset-Recovery Charge shall be paid by all existing or future customers receiving transmission or distribution service from the Company or its successors or assignees under Commission-approved rate schedules or under special contracts, even if the customer elects to purchase electricity from alternative electric suppliers following a fundamental change in regulation of public utilities in this state.

Q. Are there any tariff provisions specific to the Nuclear Asset-Recovery Charge?

A. Yes. The following language is included on tariff sheet 6.106 indicating the ownership of the charge:

> As approved by the Commission, a Special Purpose Entity (SPE) has been created and is the owner of all rights to the Nuclear Asset-Recovery Charge. The Company shall act as the SPE's collection agent or servicer for the Nuclear Asset-Recovery Charge.

Q. What effective date is DEF requesting for the Nuclear Asset-Recovery Charge?

A. DEF proposes to implement the Nuclear Asset-Recovery Charge beginning with the first billing cycle for the month following the issuance of the nuclear asset-recovery bonds. As explained in Mr. Buckler's testimony, the Company recommends an issuance date as soon as practicable and prior to March 31, 2016. The charges will remain in effect until the nuclear asset-recovery bonds have been paid in full or legally discharged and the financing costs associated with such charges have been paid in full or fully recovered.

Under the RRSSA, the recovery of the CR3 Regulatory Asset in base rates would cease no later than the last billing cycle for the 240th month from the inception of the base rate increase. However, depending on the final terms of the nuclear asset-recovery bond issuance, the Nuclear Asset-Recovery Charge could extend beyond the 20-year recovery period established for the base rate increase.

Q. How will the Nuclear Asset-Recovery Charge approved by the Commission be reflected on customer bills?

A. The Nuclear Asset-Recovery Charge will be reflected as a separate line on each customer's bill, titled "Asset Securitization Charge". This line will include both the rate and the total amount charged. In addition, all electric bills will state that, as approved in a financing order, all rights to the Asset Securitization Charge are owned by the SPE and the Company is acting as a collection agent or servicer for the SPE.

Q. Is the Company requesting approval for the tariff sheets attached in Exhibit No. __ (MO-6A)?

A. Not at this time. As I mentioned previously, the final Nuclear Asset-Recovery Charge will not be calculated until after the final terms of an issuance of nuclear asset-recovery bonds have been established. Once the final Nuclear Asset-Recovery Charge is calculated, the tariff sheets shown in Exhibit No. __ (MO-6A) will be revised and submitted for administrative approval within 3 business days from the date of submission of the tariff sheets. DEF is, however, requesting approval of the form of the tariff sheets that is attached as Exhibit No. __ (MO-6A).

Q. Thereafter, would the Nuclear Asset-Recovery Charge tariff sheets be revised periodically?

A. Yes. The formula-based true-up mechanism described earlier would result in revisions to the charges listed on tariff sheet number 6.105. DEF would seek administrative approval of any revisions to these tariff sheets resulting from the formula-based true-up mechanism.

VI. CONCLUSION

Q. Please summarize your testimony.

A. I have provided support for the nuclear asset-recovery costs that DEF proposes to finance using nuclear asset-recovery bonds, for the allocation of these costs by rate class, and for the calculation of the Nuclear Asset-Recovery Charge and its components by rate class. I have discussed how the total cumulative revenue requirements and the initial bill impact from the Nuclear Asset-Recovery Charge compares with the traditional method of recovering such costs from customers and demonstrated that the proposed Nuclear Asset-Recovery Charge significantly mitigates rates impacts relative to the Traditional Recovery Method. Lastly, I have outlined the tariff revisions needed to implement the Nuclear Asset-Recovery Charge.

Q. Does this conclude your direct testimony?

A. Yes.

Rate Class		(1) 12CP & 1/13 AD Allocation Factors (%)	(2) Revenue Requirement $	(3) Effective kWh @ Secondary Level (000)	(4) Nuclear Asset-Recovery Charge Before Gross-ups (c/Kwh)	(5) Gross-up for Uncollectibe Accounts [1] %	(6) Gross-up for Regulatory Assessment Fee %	(7) Nuclear Asset-Recovery Charge (c/Kwh)
Residential								
RS-1, RST-1, RSL-1, RSL-2, RSS-1								
	Secondary	60.859%	$61,562,710	19,495,155	**0.316**	**0.284%**	**0.072%**	**0.317**
General Service Non-Demand								
GS-1, GST-1								
	Secondary			1,575,864	**0.255**	**0.284%**	**0.072%**	**0.256**
	Primary			8,616	**0.252**	**0.284%**	**0.072%**	**0.253**
	Transmission			3,564	**0.250**	**0.284%**	**0.072%**	**0.251**
	TOTAL GS	4.010%	$4,056,685	**1,588,044**				
General Service								
GS-2	Secondary	0.284%	$287,695	165,610	**0.174**	**0.284%**	**0.072%**	**0.175**
General Service Demand								
GSD-1, GSDT-1, SS-1								
	Secondary			12,013,676	**0.218**	**0.284%**	**0.072%**	**0.219**
	Primary			2,384,319	**0.216**	**0.284%**	**0.072%**	**0.217**
	Transmission			10,895	**0.214**	**0.284%**	**0.072%**	**0.214**
	TOTAL GSD	30.991%	$31,349,736	**14,408,890**				
Curtailable								
CS-1, CST-1, CS-2, CST-2, CS-3, CST-3, SS-3								
	Secondary			-	**0.148**	**0.284%**	**0.072%**	**0.149**
	Primary			121,778	**0.147**	**0.284%**	**0.072%**	**0.147**
	Transmission			-	**0.145**	**0.284%**	**0.072%**	**0.146**
	TOTAL CS	0.178%	$180,385	**121,778**				
Interruptible								
IS-1, IST-1, IS-2, IST-2, SS-2								
	Secondary			89,382	**0.178**	**0.284%**	**0.072%**	**0.179**
	Primary			1,588,841	**0.176**	**0.284%**	**0.072%**	**0.177**
	Transmission			316,913	**0.174**	**0.284%**	**0.072%**	**0.175**
	TOTAL IS	3.504%	$3,544,468	**1,995,136**				
Lighting								
LS-1	Secondary	0.173%	$174,966	385,378	**0.045**	**0.284%**	**0.072%**	**0.045**
Total		100.000%	$101,156,644	38,159,991	**0.265**	**0.284%**	**0.072%**	**0.266**

[1] Uncollectible accounts percentage was approved in Order No. PSC-10-0131-FOF-EI

(millions, except per kWh charges)

	2016 [1]	2017	2018	2019	2020 [1]	2021	2022	2023	2024 [1]	2025	2026
Beginning Bal	$1,298	$1,233	$1,168	$1,103	$1,038	$974	$909	$844	$779	$714	$649
Amort	65	65	65	65	65	65	65	65	65	65	65
Ending Bal	1,233	1,168	1,103	1,038	974	909	844	779	714	649	584
Average Bal	1,266				1,006				746		
WACC	8.12%				8.12%				8.12%		
Return on RB	105	108	109	111	82	83	84	86	61	62	63
Amort	65	65	65	65	65	65	65	65	65	65	65
Revenue	$170	$173	$174	$176	$147	$148	$149	$151	$126	$127	$128
Retail MWH Sales	38.21	38.85	39.10	39.50	40.00	40.35	40.72	41.12	41.48	41.90	42.32
Retail Rate - Avg. (¢/kWh)	0.446	0.446	0.446	0.446	0.366	0.366	0.366	0.366	0.303	0.303	0.303
Resid Rate (¢/kWh)	0.501	0.501	0.501	0.501	0.412	0.412	0.412	0.412	0.340	0.340	0.340

	2027	2028 [1]	2029	2030	2031	2032 [1]	2033	2034	2035	Total
Beginning Bal	$584	$519	$454	$389	$325	$260	$195	$130	$65	
Amort	65	65	65	65	65	65	65	65	65	
Ending Bal	519	454	389	325	260	195	130	65	0	
Average Bal		487				227				
WACC		8.12%				8.12%				
Return on RB	64	40	41	42	43	18	19	20	21	$1,262
Amort	65	65	65	65	65	65	65	65	65	1,298
Revenue	$129	$104	$105	$107	$108	$83	$84	$85	$86	$2,560
MWH Sales	42.74	43.17	43.60	44.03	44.47	44.92	45.37	45.82	46.28	
Retail Rate - Avg. (¢/kWh)	0.303	0.242	0.242	0.242	0.242	0.186	0.186	0.186	0.186	
Resid Rate (¢/kWh)	0.340	0.272	0.272	0.272	0.272	0.208	0.208	0.208	0.208	

[1] Per Revised and Restated Stipulation and Settlement Agreement, Paragraph 5.g., approved in Order No. PSC-13-0598-FOF-EI

Securitization Proposal ($ millions, except per kWh charges and typical bill impact)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Nuclear Asset-Recovery Bonds [1]										
Beginning Balance	$1,312	$1,292	$1,230	$1,167	$1,104	$1,039	$973	$906	$836	$764
Principal Payment	(20)	(62)	(63)	(63)	(65)	(66)	(67)	(70)	(72)	(74)
Ending Balance	$1,292	$1,230	$1,167	$1,104	$1,039	$973	$906	$836	$764	$690
Nuclear Asset-Recovery Charge [1]										
Principal Payment	$20	$62	$63	$63	$65	$66	$67	$70	$72	$74
Interest on Bonds	29	38	38	37	36	34	33	30	28	26
Ongoing Costs	1	1	1	1	1	1	1	1	1	1
Partial Year Payment Lag	51	-	-	-	-	-	-	-	-	-
Total Nuclear Asset-Recovery Charge	$101	$101	$102	$101	$102	$101	$101	$101	$101	$101
Retail MWH Sales	38	39	39	39	40	40	41	41	41	42
Retail Rate - Avg. (¢/kWh)	0.264	0.260	0.261	0.256	0.255	0.250	0.248	0.246	0.243	0.241
Residential Revenue Req. (MO-1A)	62	62	62	62	62	62	62	62	62	62
Residential MWH Sales	19	20	20	20	20	21	21	21	21	22
Residential Rate - Avg. (¢/kWh)	0.317	0.311	0.308	0.305	0.302	0.299	0.295	0.292	0.288	0.286

	2026	2027	2028	2029	2030	2031	2032	2033	Total
Nuclear Asset-Recovery Bonds [1]									
Beginning Balance	$690	$614	$535	$453	$369	$282	$191	$97	
Principal Payment	(76)	(79)	(82)	(84)	(87)	(91)	(94)	(97)	
Ending Balance	$614	$535	$453	$369	$282	$191	$97	$0	
Nuclear Asset-Recovery Charge [1]									
Principal Payment	$76	$79	$82	$84	$87	$91	$94	$97	$1,312
Interest on Bonds	24	21	19	16	13	9	6	3	440
Ongoing Costs	1	1	1	1	1	1	1	1	18
Partial Year Payment Lag	-	-	-	-	-	-	-	(51)	-
Total Nuclear Asset-Recovery Charge	$101	$101	$102	$101	$101	$101	$101	$50	$1,770
Retail MWH Sales	42	43	43	44	44	44	45	45	
Retail Rate - Avg. (¢/kWh)	0.239	0.236	0.236	0.232	0.229	0.227	0.225	0.110	
Residential Revenue Req. (MO-1A)	62	62	62	62	62	62	62	62	
Residential MWH Sales	22	22	22	23	23	23	23	23	
Residential Rate - Avg. (¢/kWh)	0.283	0.280	0.277	0.274	0.272	0.269	0.266	0.264	

[1] Agrees to the balance on the Debt Service Report in Document No. PC-1 in Mr. Collins' Testimony

Filed in Docket No. 150148-EI, Exhbit No. ___(MO-4) to the Direct Testimony of Marcia Olivier

Line No.	Rate Schedule	(1) Billed Sales (MWH)	(2) Customer Charge ($000)	(3) Demand and Energy Charge ($000)	(4) Total Base Revenue Billed ($000)	(5) Demand and Energy Charge ($/MWH)	(6) Unbilled Sales (MWH)	(7) Unbilled Revenue ($000)	(8) Total Class Revenue ($000)	(9) Total Demand and Energy Revenue Including Unbilled ($000)	(10) Base Rate Increase at Uniform Percent ($000)	(11) Total Class Revenue with Increase ($000)
											10.08%	
		*	**	**	(2) + (3)	(3) / (1)	**	(5) x (6)	(4) + (7)	(3) + (7)	(9) x %	(8) + (10)
1	RS-1	19,495,155	$160,832	$1,052,389	$1,213,222	$53.98	104,986	$5,667	$1,218,889	$1,058,057	$106,656	$1,325,545
2	GS-1	1,588,204	17,096	84,921	102,017	53.47	7,215	386	102,403	85,307	8,599	111,002
3	GS-2	165,610	1,872	3,391	5,262	20.47	842	17	5,280	3,408	344	5,623
4	GSD-1	14,413,009	8,906	476,447	485,353	33.06	65,304	2,159	487,512	478,606	48,245	535,757
5	CS-1, CS-2, CS-3	119,488	5	3,472	3,477	29.05	305	9	3,485	3,480	351	3,836
6	IS-1, IS-2, IS-3	1,840,259	606	44,533	45,140	24.20	5,175	125	45,265	44,659	4,502	49,767
7	SS-1	20,186	25	993	1,018	49.20	66	3	1,021	996	100	1,122
8	SS-2	177,394	18	5,247	5,264	29.58	470	14	5,278	5,261	530	5,809
9	SS-3	3,520	1	468	469	132.97	13	2	471	470	47	518
10	LS-1	385,378	0	9,138	9,138	23.71	1,478	35	9,173	9,173	925	10,098
11	TOTAL	38,208,203	$189,360	$1,681,000	$1,870,360		185,854	$8,417	$1,878,777	$1,689,417	$170,299	$2,049,076
12												
13	* Based on 2016 MWH sales forecast in 2015 Ten Year Site Plan used in NCRC May 1, 2015 projection filing											
14	** Based on revenue forecast consistent with 2016 MWH sales forecast in 2015 Ten Year Site Plan used in NCRC May 1, 2015 projection filing											
15												
16												

¶ 5e. Recovery of the CR3 Regulatory Asset:	$170,299

Residential 1st Tier Rate Impact:	Current ($/mwh)	Increase ($/mwh)	Proposed ($/mwh)
Cust Charge	$8.76		$8.76
Energy Charge	$49.74	$5.01	$54.75
Total Charge	$58.50	$5.01	$63.51

Line No.	Rate Schedule	Nuclear Asset-Recovery Charge (¢/kWh)	Traditional Recovery Method (¢/kWh) [1]	Difference (¢/kWh)	Difference (%)
1	RS-1	0.317	0.501	(0.184)	-37%
2	GS-1	0.256	0.545	(0.289)	-53%
3	GS-2	0.175	0.206	(0.032)	-15%
4	GSD-1	0.219	0.333	(0.114)	-34%
5	CS-1, CS-2, CS-3	0.149	0.293	(0.144)	-49%
6	IS-1, IS-2, IS-3	0.179	0.244	(0.065)	-27%
7	SS-1	0.219	0.496	(0.277)	-56%
8	SS-2	0.179	0.298	(0.120)	-40%
9	SS-3	0.149	1.340	(1.192)	-89%
10	LS-1	0.045	0.215	(0.170)	-79%

[1] The rate schedules in rows 4 through 9 under the Traditional Recovery Method include both demand and energy charges. In order to compare the above rates on a c/kWh basis, these rates were calculated based on the amounts in Document MO-3, where incremental revenues in column 10 were divided by KWH sales in columns 1 + 6.

Residential Customer (RS-1)
1,000 kWh

Line No.					
1	AT CURRENT RATES				
2				Amount	% of Bill
3	Customer Charge	$8.76		$8.76	7.2%
4	Non-fuel Energy				
5	First 1,000 kWh	4.974	¢/kWh	49.74	40.9%
6	All kWh above 1,000	6.336	¢/kWh	0.00	0.0%
7	Fuel				
8	First 1,000 kWh	4.323	¢/kWh	43.23	35.6%
9	All kWh above 1,000	5.323	¢/kWh	0.00	0.0%
10	ECCR	0.270	¢/kWh	2.70	2.2%
11	CCR	1.274	¢/kWh	12.74	10.5%
12	ECRC	0.138	¢/kWh	1.38	1.1%
13	Subtotal			$118.55	
14	Gross Receipts Tax	2.5641%		3.04	2.5%
15	**Total Bill**			**$121.59**	
16					
17	WITH PROPOSED NUCLEAR ASSET-RECOVERY CHARGE (all other rates are current rates)				
18				Amount	% of Bill
19	Customer Charge	$8.76		$8.76	7.0%
20	Non-fuel Energy				
21	First 1,000 kWh	4.974	¢/kWh	49.74	39.8%
22	All kWh above 1,000	6.336	¢/kWh	0.00	0.0%
23	Fuel				
24	First 1,000 kWh	4.323	¢/kWh	43.23	34.6%
25	All kWh above 1,000	5.323	¢/kWh	0.00	0.0%
26	ECCR	0.270	¢/kWh	2.70	2.2%
27	CCR	1.274	¢/kWh	12.74	10.2%
28	ECRC	0.138	¢/kWh	1.38	1.1%
29	Asset Securitization Charge	0.317	¢/kWh	3.17	2.5%
30	Subtotal			$121.72	
31	Gross Receipts Tax	2.5641%		3.12	2.5%
32	**Total Bill**			**$124.84**	
33					
34	WITH TRADITIONAL RECOVERY METHOD (all other rates are current rates)				
35				Amount	% of Bill
36	Customer Charge	$8.76		$8.76	6.9%
37	Non-fuel Energy				
38	First 1,000 kWh	5.475	¢/kWh	54.75	43.2%
39	All kWh above 1,000	6.975	¢/kWh	0.00	0.0%
40	Fuel				
41	First 1,000 kWh	4.323	¢/kWh	43.23	34.1%
42	All kWh above 1,000	5.323	¢/kWh	0.00	0.0%
43	ECCR	0.270	¢/kWh	2.70	2.1%
44	CCR	1.274	¢/kWh	12.74	10.1%
45	ECRC	0.138	¢/kWh	1.38	1.1%
46	Subtotal			$123.56	
47	Gross Receipts Tax	2.5641%		3.17	2.5%
48	**Total Bill**			**$126.73**	
49					
50	**Difference**			**($1.89)**	

Small Commercial Customer (GSD-1)
50 kW, 46% Load Factor, Secondary Voltage

Line No.					
1	AT CURRENT RATES				
2				Amount	% of Bill
3	Customer Charge	$11.59		$11.59	0.7%
4	Demand Charge	5.06	$/kW	253.00	14.9%
5	Non-fuel Energy	2.256	¢/kWh	378.78	22.4%
6	Fuel	4.647	¢/kWh	780.23	46.0%
7	ECCR	0.79	$/kW	39.50	2.3%
8	CCR	3.35	$/kW	167.50	9.9%
9	ECRC	0.129	¢/kWh	21.66	1.3%
10	Subtotal			$1,652.26	
11	Gross Receipts Tax	2.5641%		42.37	2.5%
12	**Total Bill**			**$1,694.63**	
13					
14	WITH PROPOSED NUCLEAR ASSET-RECOVERY CHARGE (all other rates are current rates)				
15				Amount	% of Bill
16	Customer Charge	$11.59		$11.59	0.7%
17	Demand Charge	5.06	$/kW	253.00	14.6%
18	Non-fuel Energy	2.256	¢/kWh	378.78	21.9%
19	Fuel	4.647	¢/kWh	780.23	45.0%
20	ECCR	0.79	$/kW	39.50	2.3%
21	CCR	3.35	$/kW	167.50	9.7%
22	ECRC	0.129	¢/kWh	21.66	1.3%
23	Asset Securitization Charge	0.219	¢/kWh	36.73	2.1%
24	Subtotal			$1,688.99	
25	Gross Receipts Tax	2.5641%		43.31	2.5%
26	**Total Bill**			**$1,732.30**	
27					
28	WITH TRADITIONAL RECOVERY METHOD (all other rates are current rates)				
29				Amount	% of Bill
30	Customer Charge	$11.59		$11.59	0.7%
31	Demand Charge	5.57	$/kW	278.50	15.8%
32	Non-fuel Energy	2.483	¢/kWh	416.90	23.7%
33	Fuel	4.647	¢/kWh	780.23	44.3%
34	ECCR	0.79	$/kW	39.50	2.2%
35	CCR	3.35	$/kW	167.50	9.5%
36	ECRC	0.129	¢/kWh	21.66	1.2%
37	Subtotal			$1,715.88	
38	Gross Receipts Tax	2.5641%		44.00	2.5%
39	**Total Bill**			**$1,759.88**	
40					
41	**Difference**			**($27.58)**	

Large Industrial Customer (GSDT-1)
10,000 kW, 80% Load Factor, Transmission Voltage

Line No.						
1	AT CURRENT RATES					
2					Amount	% of Bill
3	Customer Charge	$730.32			$730.32	0.2%
4	Demand Charge					
5	Base	1.24	$/kW		12,400.00	2.7%
6	On-peak	3.76	$/kW		37,600.00	8.2%
7	Delivery Voltage Credit	1.49	$/kW		(14,900.00)	-3.2%
8	Non-fuel Energy					
9	On-peak	4.911	¢/kWh		74,389.37	16.2%
10	Off-peak	0.824	¢/kWh		35,640.06	7.7%
11	Metering Voltage Adjustment	2.0%			(2,902.59)	-0.6%
12	Fuel					
13	On-peak	6.130	¢/kWh		92,854.18	20.2%
14	Off-peak	3.812	¢/kWh		164,878.53	35.8%
15	ECCR	0.77	$/kW		7,700.00	1.7%
16	CCR	3.28	$/kW		32,800.00	7.1%
17	ECRC	0.126	¢/kWh		7,358.40	1.6%
18	Subtotal				$448,548.27	
19	Gross Receipts Tax	2.5641%			11,501.23	2.5%
20	**Total Bill**				**$460,049.50**	
21						
22	WITH PROPOSED NUCLEAR ASSET-RECOVERY CHARGE (all other rates are current rates)					
23					Amount	% of Bill
24	Customer Charge	$730.32			$730.32	0.2%
25	Demand Charge					
26	Base	1.24	$/kW		12,400.00	2.6%
27	On-peak	3.76	$/kW		37,600.00	7.9%
28	Delivery Voltage Credit	1.49	$/kW		(14,900.00)	-3.1%
29	Non-fuel Energy					
30	On-peak	4.911	¢/kWh		74,389.37	15.7%
31	Off-peak	0.824	¢/kWh		35,640.06	7.5%
32	Metering Voltage Adjustment	2.0%			(2,902.59)	-0.6%
33	Fuel					
34	On-peak	6.130	¢/kWh		92,854.18	19.6%
35	Off-peak	3.812	¢/kWh		164,878.53	34.8%
36	ECCR	0.77	$/kW		7,700.00	1.6%
37	CCR	3.28	$/kW		32,800.00	6.9%
38	ECRC	0.126	¢/kWh		7,358.40	1.6%
39	Asset Securitization Charge	0.219	¢/kWh		12,776.52	2.7%
40	Subtotal				$461,324.79	
41	Gross Receipts Tax	2.5641%			11,828.83	2.5%
42	**Total Bill**				**$473,153.62**	
43						
44	WITH TRADITIONAL RECOVERY METHOD (all other rates are current rates)					
45					Amount	% of Bill
46	Customer Charge	$730.32			$730.32	0.2%
47	Demand Charge					
48	Base	1.36	$/kW		13,600.00	2.9%
49	On-peak	4.14	$/kW		41,400.00	8.7%
50	Delivery Voltage Credit	1.64	$/kW		(16,400.00)	-3.5%
51	Non-fuel Energy					
52	On-peak	5.406	¢/kWh		81,887.39	17.2%
53	Off-peak	0.907	¢/kWh		39,230.02	8.3%
54	Metering Voltage Adjustment	2.0%			(3,194.35)	-0.7%
55	Fuel					
56	On-peak	6.130	¢/kWh		92,854.18	19.6%
57	Off-peak	3.812	¢/kWh		164,878.53	34.7%
58	ECCR	0.77	$/kW		7,700.00	1.6%
59	CCR	3.28	$/kW		32,800.00	6.9%
60	ECRC	0.126	¢/kWh		7,358.40	1.6%
61	Subtotal				$462,844.48	
62	Gross Receipts Tax	2.5641%			11,867.80	2.5%
63	**Total Bill**				**$474,712.27**	
64						
65	**Difference**				**($1,558.65)**	

DUKE ENERGY®

SECTION NO. VI
_____ REVISED SHEET NO. 6.105
CANCELS _____ REVISED SHEET NO. 6.105

RATE SCHEDULE BA-1
BILLING ADJUSTMENTS

Applicable:

To the Rate Per Month provision in each of the Company's filed rate schedules which reference the billing adjustments set forth below.

COST RECOVERY FACTORS

Rate Schedule/Metering Level	Fuel Cost Recovery[1] Levelized ¢/ kWh	Fuel Cost Recovery[1] On-Peak ¢/ kWh	Fuel Cost Recovery[1] Off-Peak ¢/ kWh	ECCR[2] ¢/ kWh	ECCR[2] $/ kW	CCR[3] ¢/ kWh	CCR[3] $/ kW	ECRC[4] ¢/ kWh	ASC[5] ¢/ kWh
RS-1, RST-1, RSL-1, RSL-2, RSS-1 (Sec.)		6.189	3.849	0.270	-	1.274	-	0.138	0.317
< 1000	4.323								
> 1000	5.323								
GS-1, GST-1									
Secondary	4.605	6.198	3.854	0.231	-	1.030	-	0.133	0.256
Primary	4.559	6.136	3.816	0.229	-	1.020	-	0.132	0.253
Transmission	4.513	6.074	3.777	0.226	-	1.009	-	0.130	0.251
GS-2 (Sec.)	4.605	-	-	0.179	-	0.701	-	0.125	0.175
GSD-1, GSDT-1, SS-1*									
Secondary	4.647	6.255	3.890	-	0.79	-	3.35	0.129	0.219
Primary	4.601	6.193	3.851	-	0.78	-	3.32	0.128	0.217
Transmission	4.554	6.130	3.812	-	0.77	-	3.28	0.126	0.214
CS-1, CST-1, CS-2, CST-2, CS-3, CST-3, SS-3*									
Secondary	4.647	6.255	3.890	-	0.60	-	2.22	0.123	0.149
Primary	4.601	6.193	3.851	-	0.59	-	2.20	0.122	0.147
Transmission	4.554	6.130	3.812	-	0.59	-	2.18	0.121	0.146
IS-1, IST-1, IS-2, IST-2, SS-2*									
Secondary	4.647	6.255	3.890	-	0.71	-	2.83	0.122	0.179
Primary	4.601	6.193	3.851	-	0.70	-	2.80	0.121	0.177
Transmission	4.554	6.130	3.812	-	0.70	-	2.77	0.120	0.175
LS-1 (Sec.)	4.332	-	-	0.097	-	0.183	-	0.114	0.045
*SS-1, SS-2, SS-3									
Monthly									
Secondary	-	-	-	-	0.078	-	0.328	-	-
Primary	-	-	-	-	0.077	-	0.325	-	-
Transmission	-	-	-	-	0.076	-	0.321	-	-
Daily									
Secondary	-	-	-	-	0.037	-	0.156	-	-
Primary	-	-	-	-	0.037	-	0.154	-	-
Transmission	-	-	-	-	0.036	-	0.153	-	-
GSLM-1, GSLM-2	See appropriate General Service rate schedule								

(1) Fuel Cost Recovery Factor:
The Fuel Cost Recovery Factors applicable to the Fuel Charge under the Company's various rate schedules are normally determined annually by the Florida Public Service Commission for the billing months of January through December. These factors are designed to recover the costs of fuel and purchased power (other than capacity payments) incurred by the Company to provide electric service to its customers and are adjusted to reflect changes in these costs from one period to the next. Revisions to the Fuel Cost Recovery Factors within the described period may be determined in the event of a significant change in costs.

(2) Energy Conservation Cost Recovery Factor:
The Energy Conservation Cost Recovery (ECCR) Factor applicable to the Energy Charge under the Company's various rate schedules is normally determined annually by the Florida Public Service Commission for twelve-month periods beginning with the billing month of January. This factor is designed to recover the costs incurred by the Company under its approved Energy Conservation Programs and is adjusted to reflect changes in these costs from one period to the next. For time of use demand rates the ECCR charge will be included in the base demand only.

(Continued on Page No. 2)

ISSUED BY: Javier J. Portuondo, Director Rates & Regulatory Strategy – FL

EFFECTIVE:

DUKE ENERGY.

SECTION NO. VI
_____ REVISED SHEET NO. 6.106
CANCELS _____ REVISED SHEET NO. 6.106

RATE SCHEDULE BA-1
BILLING ADJUSTMENTS
(Continued from Page 1)

(3) Capacity Cost Recovery Factor:

The Capacity Cost Recovery (CCR) Factors applicable to the Energy Charge under the Company's various rate schedules are normally determined annually by the Florida Public Service Commission for the billing months of January through December. This factor is designed to recover the cost of capacity payments made by the Company for off-system capacity and is adjusted to reflect changes in these costs from one period to the next. For time of use demand rates the CCR charge will be included in the base demand only.

(4) Environmental Cost Recovery Clause Factor:

The Environmental Cost Recovery Clause (ECRC) Factors applicable to the Energy Charge under the Company's various rate schedules are normally determined annually by the Florida Public Service Commission for the billing months of January through December. This factor is designed to recover environmental compliance costs incurred by the Company and is adjusted to reflect changes in these costs from one period to the next.

(5) Asset Securitization Charge Factor:

The Asset Securitization Charge (ASC) Factors applicable to the Energy Charge under the Company's various rate schedules represent a Nuclear Asset-Recovery Charge approved in a financing order issued to the Company by the Florida Public Service Commission and are adjusted at least semi-annually to ensure timely payment of principal, interest and financing costs of nuclear asset-recovery bonds from the effective date of the ASC until the nuclear asset-recovery bonds have been paid in full or legally discharged and the financing costs have been fully recovered. As approved by the Commission, a Special Purpose Entity (SPE) has been created and is the owner of all rights to the Nuclear Asset-Recovery Charge. The Company shall act as the SPE's collection agent or servicer for the Nuclear Asset-Recovery Charge. The Nuclear Asset-Recovery Charge shall be paid by all existing or future customers receiving transmission or distribution service from the Company or its successors or assignees under Commission-approved rate schedules or under special contracts, even if the customer elects to purchase electricity from alternative electric suppliers following a fundamental change in regulation of public utilities in this state.

Gross Receipts Tax Factor:

In accordance with Section 203.01(1)(a)1 of the Florida Statutes, a factor of 2.5641% is applicable to electric sales charges for collection of the state Gross Receipts Tax.

Right-of-Way Utilization Fee:

A Right-of-Way Utilization Fee is applied to the charges for electric service (exclusive of any Municipal, County, or State Sales Tax) provided to customers within the jurisdictional limits of each municipal or county governmental body or any unit of special-purpose government or other entity with authority requiring the payment of a franchise fee, tax, charge, or other imposition whether in money, service, or other things of value for utilization of rights-of-way for location of Company distribution or transmission facilities. The Right-of-Way Utilization Fee shall be determined in a negotiated agreement (i.e., franchise and other agreements) in a manner which reflects the Company's payments to a governmental body or other entity with authority plus the appropriate Gross Receipts Taxes and Regulatory Assessment Fees resulting from such additional revenue. The Right-of-Way Utilization Fee is added to the charges for electric service prior to the application of any appropriate taxes.

Municipal Tax:

A Municipal Tax is applied to the charge for electric service provided to customers within the jurisdictional limits of each municipal or other governmental body imposing a utility tax on such service. The Municipal Tax shall be determined in accordance with the governmental body's utility tax ordinance, and the amount collected by the Company from the Municipal Tax shall be remitted to the governmental body in the manner required by law. No Municipal Tax shall apply to fuel charges in excess of 0.699¢/kWh.

Sales Tax:

A State Sales Tax is applied to the charge for electric service provided to all non-residential customers and equipment rental provided to all customers (unless a qualified sales tax exemption status is on record with the Company). The State Sales Tax shall be determined in accordance with the State's sales tax laws. The amount collected by the Company shall be remitted to the State in the manner required by law. In those counties that have enacted a County Discretionary Sales Surtax, such tax shall be applied and paid in a like manner. An additional tax factor is applied to the charge for electric service consistent with the applicability of State Sales Tax as described in this paragraph, in accordance with Section 203.01(1)(a)3 and (b)4 of the Florida Statutes.

Governmental Undergrounding Fee:

Applicable to customers located in a designated Underground Assessment Area within a local government (a municipality or a county) that requires the Company to collect a Governmental Undergrounding Fee from such customers to recover the local government's costs of converting overhead electric distribution facilities to underground facilities. The Governmental Undergrounding Fee billed to a customer's account shall not exceed the lesser of (i) 15 percent of a customer's total net electric service charges, or (ii) a maximum monthly amount of $30 for residential customers and $50 for each 5,000 kilowatt-hour increment of consumption for commercial/industrial customers, unless the Commission approves a higher percentage or maximum monthly amount. The maximum monthly amount shall apply to each line of billing in the case of a customer receiving a single bill for multiple service points, and to each

ISSUED BY: Javier J. Portuondo, Director Rates & Regulatory Strategy – FL

EFFECTIVE: