

State of Florida



Public Service Commission

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

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

DATE: August 21, 2015
TO: Carlotta S. Stauffer, Commission Clerk, Office of Commission Clerk
FROM: Tom Ballinger, Director, Division of Engineering *TB*
RE: Docket No. 150075-EI-Petition for approval of arrangement to mitigate impact of unfavorable Cedar Bay power purchase obligation, by Florida Power & Light Company.

Please file the attached summary in the above mentioned Docket File.

Thank you.

Summary of Proposed Settlement Agreement
Docket 150075-EI

- Signatories to Settlement are FPL and OPC. Remaining party to proceeding (FIPUG) opposes settlement. Settlement proposes the following:
- FPL's entering into the Purchase and Sale Agreement with CBAS Power Holdings; LLC in order to mitigate the impact on customers of an unfavorable Cedar Bay power purchase obligation is reasonable, cost-effective, and prudent. **[Section 1]**
 - FPL may recover the \$520.5 million purchase price, plus \$326.9 million for income tax gross up, as a regulatory asset. **[Section 3(a)]**
 - \$85 million of the regulatory asset will be recovered through existing base rates until the next test year for a general rate proceeding. At that time, the unamortized amount will be recovered through FPL's capacity recovery clause. **[Section 3(a)(i)]**
 - The remaining \$435.5 million will be recovered through FPL's capacity recovery clause over the remaining term of the purchased power agreement which is December, 2024. The return on the unamortized portion will be at FPL's overall weighted average cost of capital. **[Section 3(a)(ii)]**
 - The Reserve Amount of \$400 million approved in Order No. PSC-13-0023-S-EI will be initially reduced by \$30 million to \$370 million, unless FPL needs the full amount to reach the bottom of its current authorized range of ROE. **[Section 3(b)]**
 - FPL will increase the limit of existing environmental liability insurance from \$20 million to \$40 million in connection with Purchase and Sale agreement through 2020. Any additional premium costs will be recovered through base rates. Prior to July 1, 2019, a Signatory may initiate a proceeding before the Commission in order to demonstrate that a significant change of circumstances require the term of the policy to be extended beyond 2020. Requires the Commission to enter a final order in any such proceeding by December 31, 2019. Any additional premium cost for such extension would be recovered through FPL's capacity recovery clause. **[Section 3(c)]**
 - FPL will recover payments under the rail car lease for the Cedar Bay Facility through the capacity recovery clause. Recovery is limited to the lesser of actual net payments (after crediting sublease revenues) or 50% of the face amount of the lease payments at the existing or renegotiated rail car lease. **[Section 3(d)]**
 - FPL will recover payments under the ground lease for the Cedar Bay Facility through base rates. Recovery is limited to the lesser of actual net lease payments (after crediting sublease revenues) or 50% of the face amount of the lease payments at the existing or renegotiated ground lease rate. **[Section 3(e)]**
 - The Settlement does not have any precedential value, will resolve all matters in Docket No. 150075-EI, and is contingent upon approval by the Commission in its entirety without modification. **[Sections 4, 5, and 6]**