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Docket Nos. 150148-EI – 150171-EI
Comprehensive Exhibit List for Entry into Hearing Record
October 14, 2015

Hearing I.D. #	Witness	I.D. # As Filed	Exhibit Description	Entered
STAFF				
1		Exhibit List	Comprehensive Exhibit List	
DUKE ENERGY FLORIDA, INC. (DEF) – (DIRECT)				
2	Marcia Olivier	MO-1 **(Docket No. 150148-EI)**	RRSSA with Exhibits 10 and 11	**Stipulated**
3	Marcia Olivier	MO-2 **(Docket No. 150148-EI)**	RRSSA Exhibit 10 Template Populated	**Stipulated**
4	Marcia Olivier	MO-3 **(Docket No. 150148-EI)**	RRSSA Exhibit 11 Template Populated	**Stipulated**
5	Marcia Olivier	MO-4 **(Docket No. 150148-EI)**	Rate Schedules	**Stipulated**
6	Marcia Olivier	MO-5 **(Docket No. 150148-EI)**	Estimated Nuclear Fuel Proceeds (**Confidential**)	**Stipulated**
7	Marcia Olivier	MO-6 **(Docket No. 150148-EI)**	CCR Nuclear Fuel Illustrative Impact (**Confidential**)	**Stipulated**
8	Terry Hobbs	TH-1 **(Docket No. 150148-EI)**	Decommissioning transition organization (“DTO”) organizational chart	**Stipulated**
9	Terry Hobbs	TH-2 **(Docket No. 150148-EI)**	New SAFSTOR organization chart	**Stipulated**
10	Terry Hobbs	TH-3 **(Docket No. 150148-EI)**	A list of the License Amendment Requests(“LARs”) completed and submitted to the NRC	**Stipulated**

11	Terry Hobbs	TH-4 **(Docket No. 150148-EI)**	A chart showing staffing reductions since Feb. 2013	**Stipulated**
12	Terry Hobbs	TH-5 **(Docket No. 150148-EI)**	Exhibit 10 to the RRSSA	**Stipulated**
13	Terry Hobbs	TH-6 **(Docket No. 150148-EI)**	A list of projects that make up "Other CWIP"	**Stipulated**
14	Mark Teague	MT-1 **(Docket No. 150148-EI)**	CR3 Administrative Procedure, AI-9010, conduct of CR3 Investment Recovery, Revision 1	**Stipulated**
15	Mark Teague	MT-2 **(Docket No. 150148-EI)**	CR3 Investment Recovery Project, Project Execution Plan, Revision 0	**Stipulated**
16	Mark Teague	MT-3 **(Docket No. 150148-EI)**	Investment Recovery Guidance Document IRGD-001, Sales Track Guidance and Documentation Package Development	**Stipulated**
17	Mark Teague	MT-4 **(Docket No. 150148-EI)**	Integrated Change Form for the retention of an auction company used to sell CR3 plant assets (**Confidential**)	**Stipulated**
18	Bryan Buckler	BB-1 **(Docket No. 150171-EI)**	Estimated up-front bond issuance and ongoing financing costs for nuclear asset-recovery bonds	
19	Bryan Buckler & Patrick Collins	BB-2a **(Docket No. 150171-EI)**	Form of Nuclear Asset-Recovery Property Purchase and Sale Agreement	
20	Bryan Buckler & Patrick Collins	BB-2b **(Docket No. 150171-EI)**	Form of Nuclear Asset-Recovery Property Servicing Agreement	
21	Bryan Buckler & Patrick Collins	BB-2c **(Docket No. 150171-EI)**	Form of Indenture	
22	Bryan Buckler & Patrick Collins	BB-2d **(Docket No. 150171-EI)**	Form of Administration Agreement	
23	Bryan Buckler & Patrick Collins	BB-2e **(Docket No. 150171-EI)**	Form of Amended and Restated LLC Agreement	

24	Michael Covington	MC-1 **(Docket No. 150171-EI)**	Nuclear Asset-Recovery Charge True-Up Mechanism Form	
25	Michael Covington	MC-2 **(Docket No. 150171-EI)**	Accounting Entries to Record Nuclear Asset-Recovery Financing	
26	Marcia Olivier	MO-1A **(Docket No. 150171-EI)**	Proposed Nuclear Asset-Recovery Charge by Rate Class (Revised Oct 2015)	
27	Marcia Olivier	MO-2A **(Docket No. 150171-EI)**	CR3 Regulatory Asset Annual Revenue Requirement – Traditional Recovery Method (Revised Oct 2015)	
28	Marcia Olivier	MO-2B **(Docket No. 150171-EI)**	CR3 Regulatory Asset Annual Revenue Requirement – Nuclear-Asset Recovery Charge Method (Revised Oct 2015)	
29	Marcia Olivier	MO-3A **(Docket No. 150171-EI)**	Traditional Recovery Method Base Rate Increase by Rate Schedule (Revised Oct 2015)	
30	Marcia Olivier	MO-4A **(Docket No. 150171-EI)**	Comparison between Proposed Nuclear Asset- Recovery Charge and Traditional Recovery Method by Rate Schedule (Revised Oct 2015)	
31	Marcia Olivier	MO-5A **(Docket No. 150171-EI)**	Sample Bill Calculations (Revised Oct 2015)	
32	Marcia Olivier	MO-6A **(Docket No. 150171-EI)**	Proposed Tariff Sheets (Revised Oct 2015)	
33	Patrick Collins	PC-1 **(Docket No. 150171-EI)**	Preliminary bond structure and associated cashflows	
34	Patrick Collins	PC-2 **(Docket No. 150171-EI)**	A list of completed utility securitizations since 1997	
OFFICE OF PUBLIC COUNSEL (OPC) – (DIRECT)				
35	Donna Ramas	DMR-1 **(Docket No. 150148-EI)**	Qualifications of Donna Ramas	**Stipulated**

36	Donna Ramas	DMR-2 **(Docket No. 150148-EI)**	Adjustments to CR3 Regulatory Assets	**Stipulated**
STAFF – (DIRECT)				
37	Ronald A. Mavrides	RAM-1 **(Docket No. 150148-EI)**	Auditor's Report – Review of CR3 Regulatory Asset	**Stipulated**
38	William Coston & Jerry Hallenstein	CH-1 **(Docket No. 150148-EI)**	Review of Project Management Internal Controls	**Stipulated**
39	Brian A. Maher	BAM-1 **(Docket No. 150171-EI)**	Speech by SEC Staff: Fiduciary Duty: Return to First Principles	
40	Brian A. Maher	BAM-2 **(Docket No. 150171-EI)**	SIFMA Definition of Fiduciary Relationship	
41	Brian A. Maher	BAM-3 **(Docket No. 150171-EI)**	Form of Underwriting Agreement	
42	Brian A. Maher	BAM-4 **(Docket No. 150171-EI)**	Saber Partners Survey	
43	Brian A. Maher	BAM-5 **(Docket No. 150171-EI)**	Excerpts from Registration Statements	
44	Brian A. Maher	BAM-6 **(Docket No. 150171-EI)**	Credit risk disclosure transmittal from Hunton & Williams and Thelen Reid and Priest, counsel of Oncor, to Saber Partners, LLC	
45	Rebecca Klein	RK-1 **(Docket No. 150171-EI)**	Texas Issuance Advice Letters	
46	Hyman Schoenblum	HS-1 **(Docket No. 150171-EI)**	Citigroup Study 2003	
47	Hyman Schoenblum	HS-2 **(Docket No. 150171-EI)**	Wisconsin Study of Saber	
48	Paul Sutherland	PS-1 **(Docket No. 150171-EI)**	Glossary	
49	Paul Sutherland	PS-1a **(Docket No. 150171-EI)**	Securitized Utility Property Not A Financial Asset	

50	Paul Sutherland	PS-1b **(Docket No. 150171-EI)**	Accountants Handbook	
51	Paul Sutherland	PS-1c **(Docket No. 150171-EI)**	FASB ASC	
52	Paul Sutherland	PS-2 **(Docket No. 150171-EI)**	Organization Chart	
53	Paul Sutherland	PS-3 **(Docket No. 150171-EI)**	New Issue Pricing Spreads, 4-6 Year Average Life	
54	Paul Sutherland	PS-4 **(Docket No. 150171-EI)**	New Issue Pricing Spreads, 9-10 Year Average Life	
55	Paul Sutherland	PS-5 **(Docket No. 150171-EI)**	Excerpt from Independent Advisor Report	
56	Paul Sutherland	PS-5a **(Docket No. 150171-EI)**	Merrill Lynch E-Mail	
57	Paul Sutherland	PS-6 **(Docket No. 150171-EI)**	AAA Utility Securitization Spreads to AAA Credit Cards	
58	Paul Sutherland	PS-6a **(Docket No. 150171-EI)**	Wells Fargo Research Report	
59	Paul Sutherland	PS-7 **(Docket No. 150171-EI)**	Centerpoint 1/11/2012 Securitization	
60	Paul Sutherland	PS-9 **(Docket No. 150171-EI)**	CEHE Securitization	
61	Paul Sutherland	PS-10 **(Docket No. 150171-EI)**	AAA Rated Comparable Pricing	
62	Paul Sutherland	PS-11 **(Docket No. 150171-EI)**	Saber Partners Report – Analysis of Ohio Power Pricing	
63	Paul Sutherland	PS-12 **(Docket No. 150171-EI)**	Servicer Set-Up Costs	
64	Paul Sutherland	PS-13 **(Docket No. 150171-EI)**	Utility Securitization Spreads to Credit Cards	

65	Paul Sutherland	PS-14 **(Docket No. 150171-EI)**	Investment Dealers Digest Article	
66	Paul Sutherland	PS-15 **(Docket No. 150171-EI)**	Orders Crediting Costs Above Incremental Costs to Ratepayers	
67	Paul Sutherland	PS-15a **(Docket No. 150171-EI)**	Article Re: LA Public Facilities Authority	
68	Paul Sutherland	PS-16 **(Docket No. 150171-EI)**	Ordering Paragraphs	
69	Paul Sutherland	PS-17 **(Docket No. 150171-EI)**	Investor Participation Profile	
70	Paul Sutherland	PS-17a **(Docket No. 150171-EI)**	S+P Ratings Digest of July 8, 2009	
71	Paul Sutherland	PS-18 **(Docket No. 150171-EI)**	Principal Amount of Utility Securitization Financing Issued by Year	
72	Paul Sutherland	PS-19 **(Docket No. 150171-EI)**	10-Year AAA Stranded Assets Spreads – Citigroup vs. J.P. Morgan	
73	Paul Sutherland	PS-19a **(Docket No. 150171-EI)**	AEP Sidley MS Email	
74	Paul Sutherland	PS-20 **(Docket No. 150171-EI)**	Utility Securitization Transactions	
75	Bryan Buckler Patrick Collins Michael Covington Marcia Olivier	Staff's Exhibit #75	DEF's Response to Staff's Second Set of Interrogatories (Nos. 8-39). **See also files contained on Staff Exhibit CD for Nos. 8, 18, 19, 34.** *[Bates Nos.00001-00090]*	**Stipulated**
76		Staff's Exhibit #76	DEF's Response to Staff's Second Request for Production of Documents (Nos. 4-11). **See also files contained on Staff Exhibit CD for No. 11.** *[Bates Nos.00091-00100]*	**Stipulated**
77		Staff's Exhibit #77	DEF's Response to Staff's Fourth Request for Production of Documents (Nos. 13-16). **See also files contained on Staff Exhibit CD for Nos. 13-16.** DEF's Supplemental Response to	**Stipulated**

			Staff's Fourth Request for Production of Documents (No. 13) *[Bates Nos.00101-00191]*	
78	Marcia Olivier Patrick Collins	Staff's Exhibit #78	DEF's Response to Staff's Fifth Set of Interrogatories (Nos. 44-68) *[Bates Nos.00192-00222]*	**Stipulated**
79	Bryan Buckler	Staff's Exhibit #79	Late-filed Exhibit 9 – Updated Exhibit No. BB-1 to Deposition of Bryan Buckler *[Bates Nos.00223-00225]*	**Stipulated**
80	Bryan Buckler	Staff's Exhibit #80	Late-filed Exhibit 10 – Updated Exhibit No. PC-1 to Deposition of Bryan Buckler *[Bates Nos.00226-00229]*	**Stipulated**
DUKE ENERGY FLORIDA, INC. (DEF) – (REBUTTAL)				
81	Bryan Buckler	BB-3 **(Docket No. 150171-EI)**	Excerpt of Ohio Power Company Financing Order	
82	Bryan Buckler	BB-4 **(Docket No. 150171-EI)**	Section 4928.232(D)(2) of the Ohio statute	
83	Bryan Buckler	BB-5 **(Docket No. 150171-EI)**	Ohio Power Company Issuance Advice Letter	
84	Bryan Buckler	BB-6 **(Docket No. 150171-EI)**	Utility's securitization process withdrawal letter to the Public Service Commission of Wisconsin	
85	Bryan Buckler	BB-7 **(Docket No. 150171-EI)**	Composite exhibit of interrogatory responses	
86	Patrick Collins	PC-3 **(Docket No. 150171-EI)**	Composite exhibit of interrogatory responses	

OTHER HEARING EXHIBITS

Exhibit Number	Witness	Party	Description	Moved In/Due Date of Late Filed
87		Staff	Approved Stipulations on Financing Order Issues	
88		Staff	Errata Sheet of Hayma Schoenblum	
89		Staff	Errata Sheet of Paul Southerland	

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Nuclear cost recovery clause	**Docket No. 130009-EI**
In re: Examination of the outage and replacement fuel/power costs associated with the CR3 steam generator replacement project, by Progress Energy Florida, Inc.	**Docket No. 100437-EI**
In re: Fuel and purchased power cost recovery clause with generating performance incentive factor	**Docket No. 130001-EI**
In re: Environmental cost recovery clause	**Docket No. 130007-EI**
In re: Petition of Progress Energy Florida, Inc. to approve establishment of a regulatory asset and associated three-year amortization schedule for costs associated with PEF's previously approved thermal discharge compliance project.	**Docket No. 130091-EI**
In re: Petition of Duke Energy Florida, Inc. for limited proceeding to approve Revised and Restated Stipulation and Settlement Agreement, including certain Rate Adjustments.	**Docket No. _____**

REVISED AND RESTATED STIPULATION AND SETTLEMENT AGREEMENT

WHEREAS, Duke Energy Florida, Inc. ("DEF" or the "Company"), the Office of Public Counsel ("OPC"), the Florida Industrial Power Users Group ("FIPUG"), the Florida Retail Federation ("FRF"), and White Springs Agricultural Chemicals, Inc. d/b/a PCS Phosphate ("White Springs"), (collectively referenced as the "Parties"), previously resolved certain issues in a Stipulation and Settlement Agreement (the "2012 Settlement Agreement"), dated January 20, 2012, that was approved by the Florida

Public Service Commission ("PSC" or the "Commission") in Order No. PSC-12-0104-FOF-EI, issued on March 8, 2012 in Docket No. 120022-EI, as amended by Order No. PSC-12-0104A-FOF-EI; and

WHEREAS, the Parties recognize that the 2012 Settlement Agreement did not resolve all issues, including, among others, issues related to the Company's Crystal River Unit 3 ("CR3") insurance claims with the Nuclear Electric Insurance Limited ("NEIL"), pending at the time of the execution and approval of the 2012 Settlement Agreement, the costs associated with repair activities subsequent to the Commission's approval of the 2012 Settlement Agreement in February 2012, the costs associated with the CR3 extended power uprate ("EPU") incurred in 2012 and beyond, and that these and other remaining issues in the above-referenced Commission dockets may have substantial consequences for DEF, consumers and investors alike, and that settlement of the various positions of the Parties on these issues is in the best interests of the Parties, the interests they represent, and the public; and

WHEREAS, in February 2013, the Company announced that it had decided to retire CR3 rather than attempt further repairs to the unit and that it had reached a settlement of all pending CR3-related insurance claims with NEIL; and

WHEREAS, on February 25, 2013, OPC and FRF filed their Petition for an Order Investigating the Prudence of Progress Energy Florida's Efforts to Obtain NEIL Insurance Proceeds, Establishing that Customers Have No Responsibility for Costs of Certain Abandoned CR3 Uprate Costs That are No Longer Subject to the Nuclear Cost Recovery Mechanism, and Delineating Parameters of CR3 "Regulatory Asset" (the "OPC/FRF Petition"); and

WHEREAS, the Parties agreed that in light of those decisions and actions that it is in the public interest to attempt to resolve all remaining rate-making issues in Docket No. 100437-EI, as well as additional matters including those that relate to or arise from the retirement of the generation capacity associated with CR3, while distinguishing and reserving the Parties' respective rights concerning DEF's future decisions, actions, and expenditures from the matters that are finally settled; and

WHEREAS, the Parties have reached a resolution as set forth in this Revised and Restated 2013 Stipulation and Settlement Agreement ("Revised and Restated Settlement Agreement"), dated July 31, 2013; and

WHEREAS, unless the context clearly indicates otherwise, the term Party or Parties means a signatory to this Revised and Restated Settlement Agreement, and Intervenor Parties means collectively OPC, FIPUG, FRF, and White Springs; and

WHEREAS, settlement of the issues in the Revised and Restated Settlement Agreement promotes administrative efficiency and avoids the time, expense, and uncertainty associated with resolving these issues in the above-referenced Commission dockets; and

WHEREAS, the Parties further recognize and agree that this Revised and Restated Settlement Agreement determines, in a comprehensive manner, the issues related to the circumstances surrounding the delaminations and repairs of CR3, the decision to retire CR3, the decision to settle the CR3 insurance claims with NEIL, issues involving the CR3 EPU project, and certain future actions regarding the Levy Nuclear Project as described herein, and resolves uncertainties related to these issues that may

adversely affect the Company and its customers including the future need for additional power generation brought about by the retirement of CR3 and other issues; and

WHEREAS, nothing in this Revised and Restated Settlement Agreement is an admission of liability, imprudence, or fault.

NOW, THEREFORE, in consideration of the foregoing and the covenants contained herein, the Parties hereby agree and stipulate as follows:

1. This Revised and Restated Settlement Agreement incorporates, as set forth herein under the same subject headings, the surviving terms and conditions of the 2012 Settlement Agreement and its Exhibits and, as a result, this Revised and Restated Settlement Agreement replaces and supplants the 2012 Settlement Agreement. Terms and conditions of the 2012 Settlement Agreement that are not expressly included in this Revised and Restated Settlement Agreement are extinguished and are of no further effect.

2. The provisions of this Revised and Restated Settlement Agreement will become effective upon approval by final Commission vote (the "Effective Date"), and continue through the last billing cycle for December 2018 (the "Term"), unless otherwise specified in this Revised and Restated Settlement Agreement.

3. The Parties reserve all rights, unless such rights are expressly waived or released, under the terms of this Revised and Restated Settlement Agreement. No waiver or release is given orally or by implication, and the only waivers and releases agreed to by any Party to this Revised and Restated Settlement Agreement are those that are expressly stated herein. The failure to specifically set forth a reservation of right(s) clause or an affirmative reservation of right(s) in another portion of this Revised

and Restated Settlement Agreement is not, and shall not, be interpreted as a waiver of any right(s) otherwise reserved by the Intervenor Parties.

CR3:

4. It is the intent of the Parties and the Parties stipulate that this Revised and Restated Settlement Agreement resolves the issues in Docket No. 100437-EI on the terms and conditions set forth herein. The Intervenor Parties fully and forever waive, release, discharge, and otherwise extinguish any and all of their rights, claims, and interests of whatever kind or nature, whether now known or unknown, to challenge the reasonableness or prudence of any DEF action, including inaction, or decision, of any kind, type, or nature, both prior to and subsequent to the Implementation Date of the 2012 Settlement Agreement arising out of, or related or in any way connected to, directly or indirectly, the issues in Docket No. 100437-EI, except for issues 11, 24, 35, 36, and 37, as set forth in Exhibit 13 to this Revised and Restated Settlement Agreement. Those issues 11, 24, 35, 36, and 37 ("Preserved Issues") will be addressed in future proceedings before the Commission as contemplated in this Revised and Restated Settlement Agreement consistent with Exhibit 10 to this Revised and Restated Settlement Agreement. Absent evidence of fraud, intentional misrepresentation, or intentional misconduct by DEF, the Intervenor Parties cannot and will not challenge in any PSC or judicial proceeding the prudence of DEF's actions in connection with the issues listed in Exhibit 13 to this Revised and Restated Settlement Agreement that are not Preserved Issues from Docket No. 100437-EI. Therefore, it is the intent of the Parties and they agree that, within five (5) days of the Effective Date of the Revised and Restated Settlement Agreement, they consent to DEF filing a motion to dismiss, with

prejudice, the OPC/FRF Petition, and to close Docket No. 100437-EI, subject to the preservation of issues 11, 24, 35, 36, and 37, as set forth in Exhibit 13 to this Revised and Restated Settlement Agreement. These issues will be addressed in future proceedings before the Commission consistent with Exhibit 10 to this Revised and Restated Settlement Agreement.

5. a. Pursuant to the 2012 Settlement Agreement, DEF placed CR3 in extended cold shutdown effective January 1, 2011, at which time depreciation and other accruals were suspended and/or reversed until the unit was retired. DEF removed CR3 from rate base, and the revenue requirements for CR3 were excluded from the rates established herein effective the first billing cycle for January 2013. Effective with CR3's removal from customer rates and until DEF's decision to retire CR3, an accrual of a carrying charge equivalent to that authorized in PSC Order No. PSC-10-0604-PAA-EI (which rate is 7.44 percent ("%"), as shown in Exhibit 2 to this Revised and Restated Settlement Agreement), on CR3 investments removed from customer rates was allowed. The ratemaking treatment of placing CR3 in extended cold shutdown was based on the unprecedented and complex nature of the totality of the circumstances addressed in the 2012 Settlement Agreement and in this Revised and Restated Settlement Agreement and shall have no precedential effect in any future Commission proceeding.

b. Upon DEF's decision to retire CR3, and until inclusion of the CR3 investments and related costs in customer rates, except as provided for in paragraph 5c, DEF is authorized to implement deferral accounting through the creation of a regulatory asset or assets to address the capital cost amounts and revenue

requirements associated with all CR3-related costs (including, but not limited to, actual depreciation/amortization expense, operation and maintenance ("O&M") expense, property taxes, and cost of capital return) and regulatory liabilities to address O&M costs, which may be funded from the Nuclear Decommissioning Trust or obviated by ceasing operations, and property taxes which may no longer be assessed (for example, a type of regulatory liability would entail Retail Nuclear O&M 2010 MFR C-4 $90 million (per year) (See Exhibit 7 to this Revised and Restated Settlement Agreement) less actual incurred O&M deferred as a regulatory asset). These amounts, together with the net plant balance of CR3 and other CR3-related investments, are recorded in various FERC accounts, and are collectively referred to herein as the "CR3 Regulatory Asset," the components of which are shown on Exhibit 10 to this Revised and Restated Settlement Agreement. The cost of capital return or carrying charge applicable to the CR3 Regulatory Asset as of February 5, 2013 will be based on the approved AFUDC rate with the cost of equity set to 70% of the then Commission authorized rate (See Exhibit 3 to this Revised and Restated Settlement Agreement); it being the intent of the Parties that whenever the Commission authorizes a change (whether an increase or a decrease) to DEF's return on equity in the future, the 70% formula in this paragraph will apply to any remaining CR3 investments, the balance of which is recorded in the CR3 Regulatory Asset. The Parties agree that the balance of the CR3 Regulatory Asset pursuant to this Revised and Restated Settlement Agreement shall not be used as the basis for interim rate relief or included for purposes of determining whether DEF's rate of return on equity ("ROE") has fallen below 9.5% so as to trigger DEF's right to seek a base rate increase pursuant to paragraph 23 of this Revised and Restated Settlement

Agreement.

c. Effective January 1, 2014, DEF will cease the deferral accounting of regulatory assets and liabilities provided for in paragraph 5b above in this Revised and Restated Settlement Agreement only for CR3 O&M expenses, CR3 property taxes, and CR3 administrative and general ("A&G") expenses. All CR3 expenses deferred prior to January 1, 2014 shall remain in the total CR3 Regulatory Asset and be recovered in base rates from customers pursuant to paragraph 5e of this Revised and Restated Settlement Agreement. DEF shall not cease but shall continue deferral accounting for any other CR3-related cost subject to deferral accounting pursuant to paragraph 5b of this Revised and Restated Settlement Agreement.

d. DEF agrees upon execution of this Revised and Restated Settlement Agreement to record a $295 million write-down of the CR3 Regulatory Asset as a reduction to the net plant balance as shown in Exhibit 10 to this Revised and Restated Settlement Agreement.

e. Recovery of the CR3 Regulatory Asset. Effective the earlier of the first billing cycle for January 2017 or the expiration of the Levy Nuclear Project ("LNP") cost recovery charge established and provided for in paragraph 11 of this Revised and Restated Settlement Agreement, DEF shall be authorized to increase its retail base rate charges by the annualized projected revenue requirement for the CR3 Regulatory Asset, as illustrated by the template in Exhibit 10 to this Revised and Restated Settlement Agreement, for the first 12 months of projected costs, subject to true-up as provided in paragraph 5g, calculated based on two components shown below in paragraphs 5e(1) and 5e(2):

(1). The projected dry cask storage ("DCS") facility costs. Prior to the date set out in paragraph 5e of this Revised and Restated Settlement Agreement, DEF shall be entitled to petition the Commission for approval of the reasonable and prudent projected DCS facility capital costs. The Intervenor Parties shall be entitled to fully participate in such a proceeding and do not waive any rights related to such participation or determination. After a final decision by the Commission, DEF shall be entitled to add the Commission-determined projected total (retail jurisdictional) value of the reasonable and prudent DCS facility capital costs to the CR3 Regulatory Asset for recovery consistent with the revenue requirement calculation template in Exhibit 10 to this Revised and Restated Settlement Agreement and the base rate increase methodology in paragraphs 5g and 5h. The DCS facility capital costs shall not be recovered before the start of the recovery of the CR3 Regulatory Asset. When the DCS facility capital costs become final, DEF shall be entitled to petition the Commission for approval of the final DCS facility capital costs. The Intervenor Parties shall be entitled to fully participate in such a proceeding, for example and without limitation, to challenge the reasonableness and prudence of DEF's claimed DCS facility capital costs, and do not waive any rights related to such participation or determination. The Parties expressly agree that any proceeding to recover such costs associated with this paragraph of the Revised and Restated Settlement Agreement shall not be a vehicle for a "rate case" type inquiry concerning the expenses, investment, or financial results of operations of the Company and shall not apply any form of earnings test or measure or consider previous or current base rate earnings or level of cost of removal reserve. After a final decision by the Commission, DEF shall adjust the CR3 Regulatory Asset to

true-up for the final Commission-determined total (retail jurisdictional) value of the DCS facility capital costs, and shall amortize the adjusted final CR3 Regulatory Asset balance over the recovery period of 240 months consistent with paragraph 5h. These base rates shall be subject to a true-up as provided in paragraph 5g; and

(2). The CR3 Regulatory Asset. The lesser of $1.466 billion (the "Asset Cap"), or the projected or final (when final) total CR3 Regulatory Asset value (excluding DCS facility capital costs), as defined in paragraph 5b of this Revised and Restated Settlement Agreement, shall be used to calculate the annualized revenue requirements for recovery of the CR3 Regulatory Asset. This CR3 Regulatory Asset value may be increased due to an event of Force Majeure as defined in paragraph 5i of this Revised and Restated Settlement Agreement. The agreed upon Asset Cap of $1.466 billion includes the CR3 cost of removal ("COR") regulatory asset and reflects DEF's agreement to record a $295 million write-down of the CR3 Regulatory Asset as provided for in paragraph 5d. Once the actual CR3 Regulatory Asset value is final, if the final CR3 Regulatory Asset value is lower than the Asset Cap and different from the projected CR3 Regulatory Asset value, then the annualized revenue requirements associated with the final CR3 Regulatory Asset value shall be subject to a true-up as provided in paragraphs 5f, 5g, and 5i. With respect to the operation of the Asset Cap, for example and hypothetically, if DEF's actual CR3 Regulatory Asset value, before write-down, DCS facility capital costs, and Force Majeure, when known and totaled, is $1.4 billion, then consistent with Exhibit 10 to this Revised and Restated Settlement Agreement, $295 million will be deducted from the $1.4 billion to arrive at a net CR3 Regulatory Asset value of $1.105 billion. The $1.105 billion will be compared to the

Asset Cap of $1.466 billion, and the $1.105 billion sum will be used for the final CR3 Regulatory Asset value on Exhibit 10 to this Revised and Restated Settlement Agreement because the $1.105 billion is lower than the $1.466 billion Asset Cap. By way of further illustration and example, if DEF's actual CR3 Regulatory Asset value, before write-down, DCS facility capital costs, and Force Majeure, when known and totaled, is $1.8 billion, then consistent with Exhibit 10 to this Revised and Restated Settlement Agreement, $295 million will be deducted from the $1.8 billion to arrive at a net CR3 Regulatory Asset value of $1.505 billion. The $1.505 billion will be compared to the Asset Cap of $1.466 billion, and the Asset Cap figure will be used for the final CR3 Regulatory Asset value on Exhibit 10 to this Revised and Restated Settlement Agreement because the Asset Cap is lower than $1.505 billion.

If the CR3 Regulatory Asset value is increased due to an event of Force Majeure, as defined in paragraph 5i below, then the CR3 Regulatory Asset value shall be increased in accordance with paragraph 5i and the revenue requirements for recovery of the CR3 Regulatory Asset shall be increased accordingly.

f. The Parties agree that the CR3 Regulatory Asset value will be subject to Commission audit for any mathematical or accounting errors in the true-up determination of the CR3 Regulatory Asset value and resulting actual base rate annualized revenue requirements. The Parties fully and forever waive, release, discharge and otherwise extinguish any and all of their rights to contest the Asset Cap in the amount of $1.466 billion. The Intervenor Parties fully and forever waive, release, discharge and otherwise extinguish any and all of their rights to contest DEF's right to recover a return of and return on the deferred and accumulated CR3 investments,

regulatory assets/liabilities, and carrying costs in the rate increase for the CR3 Regulatory Asset referenced above in paragraph 5e of this Revised and Restated Settlement Agreement, using the reduced rate of return specified in Exhibit 3 to this Revised and Restated Settlement Agreement. The Parties expressly waive, release, and do not retain the right to challenge the inclusion of the components of the CR3 Regulatory Asset that were at issue in Docket No. 100437-EI and as set forth in Exhibit 10 to this Revised and Restated Settlement Agreement. Any component not included on Exhibit 10 is not eligible for cost recovery as part of the CR3 Regulatory Asset unless caused by an event of Force Majeure as defined in paragraph 5i of this Revised and Restated Settlement Agreement. Regarding the CR3 Regulatory Asset value, the rights expressly waived, limited, or retained by the Parties are detailed in Exhibit 10 to this Revised and Restated Settlement Agreement. Furthermore, DEF shall, in accord with its obligation to do so, minimize the future costs of the CR3 Regulatory Asset and use reasonable and prudent efforts to curtail future avoidable costs or to sell or otherwise salvage assets that would otherwise be included in the CR3 Regulatory Asset as set forth in Exhibit 10 to this Revised and Restated Settlement Agreement. The Intervenor Parties retain the right to challenge whether DEF took reasonable and prudent actions to minimize the future CR3 Regulatory Asset value, as set forth in Exhibit 10 to this Revised and Restated Settlement Agreement.

g. The retail base rate change(s) described in paragraph 5e(1) and 5e(2) shall be established by the application of a uniform percentage increase to the demand and energy charges, including delivery voltage credits, power factor adjustments, and premium distribution service reflected in the Company's base rate schedules existing at

the time of the base rate increase(s) and shall be calculated using the billing determinants included in the Company's most recent projection clause filing, unless otherwise agreed to by the Parties, with the understanding that the Intervenor Parties retain the right to challenge the accuracy and validity of the billing determinants. The true-up amounts described in paragraphs 5e(1) and 5e(2) shall be calculated as the difference between the cumulative base revenues since the implementation of the initial base rate increase and the cumulative base revenues that would have resulted if the final base rate increase had been in-place during the same time period and shall be charged or credited to customers through the Capacity Cost Recovery Clause (CCR Clause) with interest at the 30-day commercial paper rate as specified in Commission Rule 25-6.109, Florida Administrative Code ("F.A.C."). On a going-forward basis, base rates shall be adjusted to reflect the updated base rate factor. To the extent that DEF has not (by July 1, 2021) filed for a general base rate case with a Test Year of 2022 or sooner, then by January 1, 2022 DEF shall petition for an update of the asset recovery factor with the most recent filed billing determinants, to be effective with the first billing cycle for July, 2022. Thereafter, DEF shall petition for an update of the asset recovery factor with the most recent filed billing determinants no less often than once every four years. For purposes of this paragraph, a general base rate case shall be considered such an update. 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.

h. The Parties intend that retail base rate recovery for the CR3 Regulatory Asset shall continue for 240 months from its inception. The base rate

component for recovery of the CR3 Regulatory Asset shall be set based on the billing determinants included in the Company's most recent projection clause filing unless otherwise agreed to by the Parties, with the understanding that the Intervenor Parties retain the right to challenge the accuracy and validity of the billing determinants. The initial return rate shall be fixed at the pretax weighted average cost of capital from Exhibit 3 to this Revised and Restated Settlement Agreement.

i. For the purposes of paragraph 5e(2) of this Revised and Restated Settlement Agreement, an event of Force Majeure is recognized as an event which is not reasonably capable of being controlled by the Company and means the following acts or circumstances with respect to CR3 only: (i) act(s) of God; (ii) war or wars; (iii) new requirements adopted after the Effective Date of this Revised and Restated Settlement Agreement by the United States Nuclear Regulatory Commission ("NRC"), Federal Energy Regulatory Commission ("FERC"), or North American Electric Reliability Corporation ("NERC") that are applicable industry wide or generally applicable to shut down nuclear plants; (iv) any act(s) of terror, including cyber-attacks, by groups or individuals not under the Company's control; and/or (v) natural disaster(s) (including, but not limited to, hurricane, tornado, flood, or earthquake).

(1). If a Force Majeure event occurs, DEF will provide timely written notice to the Intervenor Parties and will meet with the Intervenor Parties in good faith to determine whether there is a dispute as to whether a legitimate Force Majeure event has occurred.

(2). If, after such meeting, the Parties determine that there is not a dispute regarding an event of Force Majeure or the consequences thereof or upon a

final Commission determination that a Force Majeure event has occurred, then the total CR3 Regulatory Asset value shall be adjusted to reflect the capital cost (costs that would have otherwise been recorded in plant-in-service accounts of the FERC Uniform System of Accounts) impact of the Force Majeure event on the total CR3 Regulatory Asset value, net of insurance proceeds, and DEF will adjust customer rates accordingly, irrespective of the agreed upon Asset Cap. In calculating the impact of a Force Majeure event(s), DEF shall be responsible for up to $5 million of Force Majeure capital cost impacts each calendar year for which the CR3 Regulatory Asset value remains unrecovered, and in any year in which Force Majeure cost impacts are incurred, those costs, in aggregate for that year, shall be reduced by up to $5 million dollars prior to those costs being added to the CR3 Regulatory Asset value. The retail base rate increase(s) resulting from a Force Majeure event shall be established by the application of a uniform percentage increase to the demand and energy charges, including delivery voltage credits, power factor adjustments, and premium distribution service reflected in the Company's base rate schedules existing at the time of the base rate increase(s) and shall be calculated using the billing determinants included in the Company's most recent projection clause filing, unless otherwise agreed to by the Parties, with the understanding that the Intervenor Parties retain the right to challenge the accuracy and validity of the billing determinants. If the Parties determine that there is a dispute as to whether a legitimate Force Majeure event has occurred or the consequences thereof, and/or whether the cost impacts of a Force Majeure event are reasonable in amount given the circumstances, then the Parties shall submit the dispute to the Commission for resolution. However, any costs for a Force Majeure event that can be appropriately

charged to the CR3 Decommissioning Trust Fund will not be added to the total CR3 Regulatory Asset value.

j. DEF shall exclude the following amounts related to CR3 from all surveillance reports: (1) revenues associated with the recovery of the CR3 Regulatory Asset base rate increase along with expenses (including, but not limited to, amortization); (2) rate base items (including, but not limited to, all amounts that have been deferred to or recorded in regulatory assets and liabilities); and (3) cost of capital accounts with specific adjustments for items including, but not limited to, deferred income taxes, with all other CR3-related items removed from capital structure on a pro-rata basis.

Fuel Adjustment Clause:

6. Refunds through the Fuel Adjustment Clause. Pursuant to the terms of this Revised and Restated Settlement Agreement, DEF agrees to the following:

a. Pursuant to the 2012 Settlement Agreement, DEF is refunding through the Fuel Adjustment Clause ("Fuel Clause") 50% of $258 million in 2013, and refunding the remaining 50% through the Fuel Clause in 2014. In addition, $30 million will be refunded through the Fuel Clause solely to customers on Rate Schedules RS-1, RSL-1, RSL-2, GS-1, and GS-2 (and their time-of-use counterpart schedules, to the extent applicable) based on an allocation of 94% of such refund amounts to the Residential Service rate schedules and 6% to the General Service, Non-Demand rate schedules, at an annual rate of $10 million per year in years 2014, 2015, and 2016.

b. DEF shall: (1) refund $40 million towards replacement fuel and purchased power costs in 2015; and (2) refund $60 million towards replacement fuel

and purchased power costs in 2016.

c. Except for the aforementioned refunds, DEF shall be entitled to recover its prudently incurred fuel and purchased power costs through the Fuel Clause without regard to the absence of CR3 for any reason for the period beginning October 1, 2009. DEF's right to recover its prudently incurred fuel and purchased power costs does not affect the rights of customers to receive reimbursement from NEIL proceeds for such costs as otherwise provided in this Revised and Restated Settlement Agreement. Thus, for the period beginning October 1, 2009, the unavailability of CR3 for any reason shall not be the basis for any disallowance of fuel or purchased power costs, and the Intervenor Parties waive their rights to challenge DEF's recovery of such costs, except that Intervenor Parties reserve the right to raise issues regarding the prudence and reasonableness of DEF's fuel acquisition and power purchases, and other fuel prudence issues unrelated to the unavailability of CR3 for any reason.

7. Pursuant to the terms of this Revised and Restated Settlement Agreement, the Parties further agree to the following:

a. DEF shall be allowed to increase retail fuel rates as follows:

(i) 2014 - $1.00/mWh
(ii) 2015 - $1.00/mWh
(iii) 2016 - $1.50/mWh

These increases shall be added to the fuel factor at secondary metering consistent with the normal fuel projection process. All other fuel factors will be developed using the adjusted fuel factor at secondary metering in a manner consistent with the normal derivation of fuel factors. An example of this is shown in Exhibit 12 to this Revised and Restated Settlement Agreement for illustrative purposes using the

projected fuel costs and sales from Docket No. 120001-EI (actual costs and sales will be different when rates are set for 2014-2016). These rate increases are not cumulative but apply only for the years shown. For example, retail fuel rates will increase by $1.00/mWh in 2014, increase by an additional $.50/mWh in 2016 and decrease by $1.50/mWh in 2017. Revenues collected from these retail fuel rates will be calculated by multiplying the relevant $/mWh increase above times the jurisdictional mWh sales as reported in line 26 of Schedule A-1. These revenues will be removed from the fuel revenues for purposes of calculating the fuel true-up over/under recovery. As a result of the accelerated recovery of the carrying charge associated with the CR3 Regulatory Asset, DEF will not defer for recovery the carrying charge on the portion of the CR3 Regulatory Asset supported by these revenues. An example of this calculation is provided on Exhibit 11 to this Revised and Restated Settlement Agreement.

b. If DEF determines that additional funds are necessary in order to fund the CR3 Nuclear Decommissioning Trust in support of decommissioning CR3, DEF shall be allowed to petition to collect those additional funds through a surcharge in base rates. This surcharge will be the lesser of the Commission approved annual contribution amount or $8 million. The $8 million limitation shall expire with the last billing cycle for December 2018. After the last billing cycle for December 2018, DEF shall be authorized to recover the actual Commission approved annual contribution to the Nuclear Decommissioning Trust through a base rate surcharge, and that surcharge shall expire following the conclusion of DEF's next base rate case. If the Commission approves an annual contribution to the Nuclear Decommissioning Trust in excess of $8 million prior to the last billing cycle for December 2018, this incremental amount of the

annual contribution in excess of what has been authorized for recovery in the base rate surcharge shall be deferred with carrying costs based on the Commission approved allowance for funds used during construction ("AFUDC"), and recovered (including carrying costs) through the CCR Clause over a 4 year period beginning with the first billing cycle for January 2019, unless otherwise agreed to by the Parties. The Intervenor Parties reserve their rights to challenge the prudence of any additional CR3 decommissioning costs in appropriate proceedings before the Commission. The Parties expressly agree that any proceeding to recover costs associated with decommissioning CR3 under this paragraph shall not be a vehicle for a "rate case" type inquiry concerning the expenses, investment, or financial results of operations of the Company and shall not apply any form of earnings test or measure or consider previous or current base rate earnings or level of cost of removal reserve.

c. DEF shall credit the retail allocation of the NEIL settlement amount of $530 million (system), approximately $489 million (retail), through the Fuel Adjustment Clause beginning with the first billing cycle for January 2014.

d. DEF shall collect from customers the approximately $328 million (system), $326 million (retail) previously credited in the Fuel Adjustment Clause beginning with the first billing cycle for January 2014. Thus, the approximate net effect of paragraphs 7c and 7d above is that DEF will credit the NEIL CR3 settlement amount of $163 million (retail) through the Fuel Adjustment Clause beginning with the first billing cycle for January 2014.

e. Effective with the first billing cycle for January 2014, DEF shall change billing of the Retail CCR Clause for demand rate classes to be on a kilo-watt

("kW") basis rather than the current kilo-watt-hour ("kWh") method. This requires a modification to Exhibit 5 to this Revised and Restated Settlement Agreement (which was also an exhibit to the 2012 Settlement Agreement), and that modification to Exhibit 5 is presented in Exhibit 9 to this Revised and Restated Settlement Agreement.

Crystal River 1 & 2 ("CRS") Retirement:

8. If DEF retires Crystal River coal units 1 & 2 ("Crystal River South" or "CRS"), as a compliance measure to meet Mercury and Air Toxics Standards ("MATS"), the Best Available Retrofit Technology ("BART"), and/or the National Ambient Air Quality Standards ("NAAQS"), DEF shall be permitted to continue the annual depreciation expense and depreciation rate associated with CRS based on the last Commission-approved depreciation study, which assumed a 2020 CRS retirement date. DEF shall be permitted to recover in 2021, unless a different time for recovery is agreed to by the Parties, any remaining CRS net book value existing at December 31, 2020 through the CCR Clause.

CR3 Extended Power Uprate project ("EPU" or "Uprate"):

9. a. DEF shall recover all CR3 EPU revenue requirements through the Nuclear Cost Recovery Clause ("NCRC") consistent with the provisions of Section 366.93(6), Florida Statutes ("F.S."), and Commission Rule 25-6.0423(6), F.A.C. with a seven (7) year amortization recovery period established as 2013-2019. Intervenor Parties fully and forever waive, release, discharge, and otherwise extinguish any and all of their rights, claims, and interests of whatever kind or nature, whether now known or unknown, to challenge the prudence of DEF's CR3 EPU investment and activities, except that the Intervenor Parties do not waive their rights to participate in the NCRC or

other appropriate docket(s) for purposes of verification that DEF has fulfilled its obligation to minimize future costs of the abandoned uprate project. DEF shall in accord with its obligation to do so, minimize the costs of the CR3 EPU Regulatory Asset (as illustrated in Exhibit 14 to this Revised and Restated Settlement Agreement), and use reasonable and prudent efforts to curtail avoidable future costs or to sell or otherwise salvage assets that would otherwise be included in the CR3 EPU Regulatory Asset. Intervenor Parties agree that CR3 EPU assets that were placed in-service and closed to electric plant in-service FERC 101 shall be recovered as part of the CR3 Regulatory Asset and CR3 EPU assets never closed to electric plant in-service FERC 101 shall be recovered as a part of the CR3 EPU Regulatory Asset through the NCRC or other appropriate docket(s). If CR3 EPU assets are sold or salvaged before the CR3 EPU Regulatory Asset is fully recovered through the NCRC, the remaining balance of the CR3 EPU Regulatory Asset shall be reduced immediately by the retail amount of sale or salvage proceeds. If CR3 EPU assets are sold or salvaged after the CR3 EPU Regulatory Asset is fully recovered, then the retail portion of the sale or salvage proceeds shall be returned, with carrying costs at the rate prescribed in Section 366.93(6), F.S., and Commission Rule 25-6.0423(6), F.A.C., from receipt of proceeds through final refund to customers, to the customers as a refund through the NCRC or the CCR Clause if the NCRC is no longer being utilized.

b. DEF shall recover the Point of Discharge cooling tower investments not recovered in the NCRC but allocated to Environmental Cost Recovery Clause ("ECRC") through the ECRC with a return on the unrecovered investment at the authorized rate for clause recovery consistent with the April 1, 2013 petition and

testimony filed in Docket No. 130007-EI and Docket No. 130091-EI.

Levy Nuclear Project ("LNP"):

10. The Parties support DEF obtaining the LNP Combined Operating License ("COL") from the NRC, terminating the LNP Engineering, Procurement, and Construction ("EPC") contract, and recovering the costs associated with those activities through the NCRC as set forth in this Revised and Restated Settlement Agreement.

11. The LNP component of the Company's NCRC charges was, effective the first billing cycle for January 2013, set at $3.45/1,000 kWh, for a residential customer, and a corresponding adjustment from the current LNP factors was made for commercial and industrial rates as shown on Exhibit 5 to the 2012 Settlement Agreement, as amended by Exhibit 9 to this Revised and Restated Settlement Agreement. This factor shall be fixed at the levels shown on Exhibit 5, as amended by Exhibit 9, until the estimated remaining LNP component balance of approximately $350 million (retail) as estimated in the 2012 Settlement Agreement, and carrying costs, is recovered (estimated to be 5 years), with true up occurring in the final year of recovery, in accordance with paragraph 12 below. Concurrent with the adjustment of the LNP NCRC factor, DEF, effective with the first billing cycle for January 2013, transferred its collection of the annual retail revenue requirements associated with the carrying costs on the deferred tax asset in the amount reflected in Exhibit 6 to this Revised and Restated Settlement Agreement from the NCRC to base rates. Such base rate adjustment has been established by the application of a uniform percentage increase to the demand and energy charges of the Company's base rates, including delivery voltage credits, power factor adjustments, and premium distribution service. This

uniform percent adjustment was calculated using the billing determinants set forth in Exhibit 1, Attachment A to this Revised and Restated Settlement Agreement and presented in the format of MFRs E-12 and E-13c for the projected year of 2013. DEF shall not recover any LNP costs from customers apart from those identified in this Revised and Restated Settlement Agreement throughout its Term.

12. a. At the earliest reasonable and prudent time, DEF will be terminating the EPC contract for the Levy nuclear power plants because DEF is unable to obtain the LNP Combined Operating License ("COL") from the NRC by January 1, 2014. Regarding the LNP, DEF will exercise the provisions of Section 366.93(6), F.S., and will elect not to complete the construction of the LNP.

b. DEF agrees to exercise reasonable and prudent efforts to obtain the COL from the NRC by March 31, 2015. If DEF, at its own discretion, decides not to pursue the LNP COL prior to March 31, 2015, DEF will credit customers $10 million (retail) as a reduction in fuel costs. DEF is not obligated to provide and shall not provide this $10 million credit to customers as a reduction in fuel costs if: (a) the NRC unilaterally declines or stops work on the LNP Combined Operating License Application ("COLA"); (b) the NRC rejects or dismisses the LNP COLA; or (c) the NRC extends the time for final review or a decision regarding the LNP COL beyond March 31, 2015. DEF will account for the remaining COLA, environmental permitting, wetlands mitigation, conditions of certification, and other costs related or in any way connected to, directly or indirectly, obtaining or maintaining the COL that DEF incurs in 2014 and beyond as construction work in progress removed from recovery in the NCRC. Only in the event the Company uses the COL (which may be amended from time-to-time) to construct a

new nuclear facility at the Levy site, DEF shall be permitted to seek recovery of these post-2013 costs, including AFUDC, in rate base for purposes of future rate proceedings and surveillance reporting, once included in plant in service.

c. The LNP cost recovery charge component of DEF's NCRC charges, established in paragraph 11 of this Revised and Restated Settlement Agreement, shall terminate upon the earlier of full recovery of DEF's LNP costs, or the first billing cycle for January 2018, except for any final true-up. By no later than May 1, 2017, DEF shall submit a final true-up filing to the PSC setting forth the final actual LNP costs, and the amount of any true-up cost or credit to customer bills. To the extent full recovery of all LNP costs is achieved prior to 2017, DEF will file the final true-up in the applicable prior period. The final true-up amount will be recovered or refunded to customers in the following year through the NCRC. DEF shall be permitted to recover all costs associated with the termination of the LNP, including but not limited to the LNP EPC agreement, through the NCRC, consistent with the provisions of Florida statute Section 366.93(6), F.S., and Commission Rule 25-6.0423(6), F.A.C., except as otherwise provided in this Revised and Restated Settlement Agreement. DEF shall in accord with its obligation to do so, minimize the LNP costs recoverable pursuant to Section 366.93(6), F.S., and Commission Rule 25-6.0423(6), F.A.C., and shall use its reasonable and prudent efforts to curtail avoidable future LNP costs, to sell or otherwise salvage LNP assets, or otherwise refund any costs that can be recaptured for the benefit of the customers. If LNP assets are sold or salvaged before the LNP cost recovery charge component of DEF's NCRC charges is fully recovered, the remaining balance of the LNP cost shall be reduced immediately by the retail amount of sale or

salvage proceeds. If LNP assets are sold or salvaged after the LNP cost recovery charge component of DEF's NCRC charges is fully recovered, then the retail portion of the sale or salvage proceeds shall be returned, with carrying costs at the rate prescribed in Section 366.93(6), F.S., and Rule 25-6.0423(6), F.A.C., from receipt of proceeds through final refund to customers, to the customers as a refund through the NCRC or the CCR Clause if the NCRC is no longer being utilized.

Additional Base Rate Adjustments:

13. Effective with the first billing cycle for January 2013, DEF adjusted its base rates to effect a $150 million (retail) increase in annual revenue requirements, which includes the impact of paragraph 5a above. Such base rate adjustment was established by the application of a uniform percentage increase to the demand and energy charges reflected in the Company's existing base rate schedules, including delivery voltage credits, power factor adjustments, and premium distribution service. This uniform percentage increase was calculated using the billing determinants included as Exhibit 1, Attachment A to this Revised and Restated Settlement Agreement and presented in the format of MFRs E-12 and E-13c for the projected year of 2013. All existing rate schedules shall remain in effect except as modified above and in Exhibit 8 to this Revised and Restated Settlement Agreement. Except as otherwise provided for in this paragraph and this Revised and Restated Settlement Agreement, the Company shall freeze its base rates through the last billing cycle for December 2018.

14. Effective with the first billing cycle for January 2014, the Company will be authorized to remove the capital assets installed and in-service on the Crystal River Units 4 & 5 ("CR4 & 5") power plants to comply with the Federal Clean Air Interstate

Rule ("CAIR") from the ECRC and transfer those capital assets to base rates in an amount which will equal the annual retail revenue requirements of the assets projected to be in-service as of December 31, 2013 (excluding O&M-related costs), which is reflected in the Company's filing (Form 42-4P; Project 7.4) in Docket No. 120007-EI. Such base rate adjustment shall be established by the application of a uniform percentage increase to the demand and energy charges of the Company's base rates including delivery voltage credits, power factor adjustments, and premium distribution service. This uniform percent increase will be calculated using the billing determinants for the projected year of 2014, consistent with the format shown in Exhibit 1, Attachment A to this Revised and Restated Settlement Agreement, adjusted for the increases provided herein. These adjustments are in addition to the base rate adjustments provided for in paragraphs 5e, 7b, 11, 13, 16, and 23 of this Revised and Restated Settlement Agreement.

15. DEF shall have an authorized return on equity of 10.5% with a range of reasonableness of +/-100 basis points for the purpose of addressing earnings levels, earnings surveillance and cost recovery clauses. The applicable annual AFUDC rate will be 7.44%. (See Exhibit 2 to this Revised and Restated Settlement Agreement).

16. a. Subject to the Intervenor Parties' right to challenge the need for or prudence of any costs associated with the construction, purchase, or acquisition of any such units or uprates, DEF shall have the ability to recover the full, prudently incurred revenue requirement of any: (1) combustion turbine unit(s) constructed and associated transmission required to integrate and deliver power from such unit(s) into the DEF system; (2) any power uprates to existing DEF unit(s); and/or (3) any existing

combustion turbine and/or combined cycle unit(s) acquired or purchased along with any transmission costs required to integrate and deliver power from such unit(s) into the DEF system, not to exceed a total megawatt ("MW") capacity of 1150 MWs collectively for items (1), (2) and/or (3) above (unless a higher MW amount is otherwise agreed to by the Parties), which may be placed in-service and/or acquired/purchased prior to year-end 2017, through a base rate increase at the time each unit is placed in service and/or acquired/purchased. In addition, DEF will evaluate and compare whether it is more cost effective to satisfy this MW capacity need prior to 2017 through its Integrated Resource Planning ("IRP") methodology and will provide this comparison at the time it submits these costs in (1), (2) or (3) of this paragraph for prudence review. Annualized Revenue Requirements shall be calculated using a 10.5% Return on Equity ("ROE") and DEF's capital structure reflected in DEF's most recent actual earnings surveillance report. DEF shall calculate and submit for Commission approval the revenue requirements using the billing determinants from the most recent projection clause filing, unless otherwise agreed to by the Parties, with the understanding that the Intervenor Parties retain the right to challenge the accuracy and validity of the billing determinants. Such base rate adjustment shall be established by the application of a uniform percentage increase to the demand and energy charges reflected in the Company's base rate schedules existing at the time of the adjustment, including delivery voltage credits, power factor adjustments, and premium distribution service. The uniform percentage increase shall be calculated using the billing determinants included in the Company's last filed clause projection filings. The Parties expressly agree that any proceeding to recover costs associated with this paragraph of the Revised and Restated

Settlement Agreement shall not be a vehicle for a "rate case" type inquiry concerning the expenses, investment, or financial results of operations of the Company and shall not apply any form of earnings test or measure or consider previous or current base rate earnings or level of cost of removal reserve.

b. DEF currently projects a need for additional generation in service in 2018. If DEF petitions the Commission for a need determination for additional generation, not to exceed 1800 MW, to be placed in service in 2018, and the Commission grants that determination of need, and DEF constructs and places in service that additional generation in 2018, DEF's base rates shall be increased by the annualized base revenue requirement for the first 12 months of operation (the "Annualized Base Revenue Requirement"). The Annualized Base Revenue Requirement shall reflect the costs pursuant to which the need determination was granted by the Commission. This base rate increase shall be referred to as the 2018 Generation Base Rate Adjustment ("GBRA"). The Intervenor Parties retain all rights to challenge DEF's actions in paragraphs 16b, 16c, and 16f, including, but not limited to, the right to challenge the need or prudence of any costs associated with the construction of any additional generation placed in service in 2018 as well as the initial 2018 GBRA factor and any subsequent revisions to it pursuant to Rule 25.22.082(15), F.A.C., but waive the right to argue that this Revised and Restated Settlement Agreement prevents DEF from seeking recovery for the costs described in this paragraph that the Commission determines to be reasonable and prudent.

c. The initial 2018 GBRA factor shall be established by the application of a uniform percentage increase to the demand and energy charges reflected in the

Company's base rate schedules existing at the time of the increase, including delivery voltage credits, power factor adjustments, and premium distribution service. The uniform percentage increase shall be calculated using the billing determinants included in the Company's most recent projection clause filing unless otherwise agreed to by the Parties, with the understanding that the Intervenor Parties retain the right to challenge the accuracy and validity of the billing determinants. DEF shall begin applying the 2018 GBRA to meter readings made on and after the commercial in-service date of the 2018 additional generation for which the need determination was granted by the Commission.

d. The 2018 GBRA Annualized Base Revenue Requirement shall be calculated using a 10.5% ROE and DEF's capital structure reflected in DEF's most recent actual earnings surveillance report. DEF will calculate and submit for Commission approval that amount of the 2018 GBRA using the billing determinants from the most recent projection clause filings.

e. In the event that the actual capital expenditures are less than the projected costs used to develop the initial 2018 GBRA factor, the lower figure shall be the new basis for the full revenue requirements and a one-time credit will be made through the CCR Clause. In order to determine the amount of this credit, a revised 2018 GBRA factor shall be computed using the same data and methodology incorporated in the initial 2018 GBRA factor, with the exception that the actual capital expenditures shall be used in lieu of the capital expenditures on which the Annualized Base Revenue Requirement was based. This credit shall be the difference between the cumulative base revenues since the implementation of the initial 2018 GBRA factor and the cumulative base revenues that would have resulted if the revised 2018 GBRA factor

had been in-place during the same time period and shall be credited to customers through the CCR Clause with interest at the 30-day commercial paper rate as specified in Commission Rule 25-6.109, F.A.C. On a going-forward basis, base rates shall be adjusted to reflect the revised 2018 GBRA factor.

f. In the event that the actual capital expenditures are higher than the projection on which the Annualized Base Revenue Requirement was based, DEF at its option may initiate a limited proceeding pursuant to Section 366.076, F.S., limited to the issue of whether DEF has met the requirements of Commission Rule 25-22.082(15), F.A.C. If the Commission finds that DEF has met the requirements of Commission Rule 25-22.082(15), F.A.C., then DEF shall increase the 2018 GBRA by the corresponding incremental revenue requirement due to such additional capital costs. However, DEF's election not to seek such an increase in the 2018 GBRA shall not preclude DEF from booking any incremental costs for surveillance reporting and all regulatory purposes subject only to a finding of imprudence or disallowance by the Commission. Any Party may participate in any such limited proceeding. The Parties expressly agree that any proceeding to recover costs associated with this paragraph of the Revised and Restated Settlement Agreement shall not be a vehicle for a "rate case" type inquiry concerning the expenses, investment, or financial results of operations of the Company and shall not apply any form of earnings test or measure or consider previous or current base rate earnings or level of cost of removal reserve.

New Economic Development and Economic Re-Development Tariffs:

17. DEF shall introduce New Economic Development and Economic Re-Development Tariffs, included as Exhibit 15 to this Revised and Restated Settlement

Agreement, on a pilot basis for a 3-year period. The attached New Economic Development and Economic Re-Development Tariffs in Exhibit 15 to this Revised and Restated Settlement Agreement shall become effective upon approval of this Revised and Restated Settlement Agreement. Commission approval of the New Economic Development and Economic Re-Development Tariffs in the limited proceeding for approval of the Revised and Restated Settlement Agreement satisfies the requirements of Commission Rule 25-6.0426(3)-(6), F.A.C., and, accordingly, the reductions afforded in these tariffs, shall, for all ratemaking purposes and Surveillance reporting, be included as a cost in the Company's cost of service.

Other Matters:

18. DEF shall be authorized, at its discretion, to accelerate in full or in part the amortization of the regulatory assets for FAS 109 Deferred Tax Benefits Previously Flowed Through, Unamortized Loss on Reacquired Debt, 2009 Pension Regulatory Asset, and Interest on Income Tax Deficiency over the Term of this Revised and Restated Settlement Agreement. DEF will be authorized to make a new specific adjustment to its common equity balance and rate base working capital balance for the purposes of calculation of rate base and the capitalization ratios used for surveillance reporting pursuant to Commission Rule 25-6.1352, F.A.C., and pass-through clauses. The calculation of this adjustment will be based on the methodology employed by Standard and Poor's Ratings Service ("S&P") in its determination of imputed off balance sheet obligations related to future capacity payments to qualifying facilities and other entities under long-term purchase power agreements. The amount of the adjustment to common equity and rate base will fluctuate over time with changes in the amount of

future purchase power obligations. The Parties agree that the common equity and rate base adjustment set forth in this paragraph is unique to the specific circumstances of DEF, as it relates to this Revised and Restated Settlement Agreement, and the treatment of DEF's common equity and rate base in this paragraph shall not constitute binding Commission precedent or create a presumption of correctness as to the adjustment for future ratemaking in any future proceeding involving DEF or any other utility. Moreover, this adjustment and the Parties' agreement to such adjustment in this unique proceeding shall be without prejudice to any Party's ability to advocate a different position in future proceedings not involving this Revised and Restated Settlement Agreement. This adjustment shall not be taken into account for purposes of calculating interim rates or determining whether DEF can seek a base rate adjustment pursuant to paragraph 23 of this Revised and Restated Settlement Agreement.

19. All other cost of service and rate design issues will be determined in accordance with Exhibit 1 and Exhibit 8 to this Revised and Restated Settlement Agreement.

20. DEF will have the discretion to record a retail jurisdictional annual credit to depreciation expense, with any reduction in depreciation expense recorded as a cost of removal regulatory asset pursuant to a FERC accounting order received by the Company in 2011. This reduction in depreciation expense will be limited by any remaining balance of the cost of removal reserve throughout the Term. DEF shall not be permitted to use cost of removal if the use would cause the Company to exceed the high point of the ROE range established in this Revised and Restated Settlement Agreement. These credit amounts to depreciation expense are in lieu of the annual

amortization of any theoretical depreciation reserve surplus approved in DEF's previous base rate order PSC-10-0131-FOF-EI. The cost of removal regulatory asset, excluding the portion of the balance related to CR3, which is recovered as part of the CR3 Regulatory Asset described in paragraph 5(e)2, will be recovered commencing on the earlier of the Company's next filed base rate proceeding or upon completion and approval by this Commission of the Company's next depreciation study. Any recovery period of this regulatory asset will be no longer than the average remaining service life of the assets, approved in the Company's most recent depreciation study. DEF shall file a Depreciation Study, Fossil Dismantlement Study, and Nuclear Decommissioning Study on or before March 31, 2019, or accompanying the next base rate case, whichever is sooner. In any event, DEF shall file a Depreciation Study such that all issues arising from such Depreciation Study can be litigated by the Parties in the next base rate case.

21. DEF may not petition for an increase in base rates and charges that would take effect prior to the first billing cycle for January 2019, except for the increases in base rates and charges provided for or allowed by the terms of the Revised and Restated Settlement Agreement. In addition, the Parties agree that the base rate increases or charges that, pursuant to the terms of this Revised and Restated Settlement Agreement extend beyond the last billing cycle for December 2018 and survive the expiration of the term or termination of this Revised and Restated Settlement Agreement, include the recovery of the CR3 Regulatory Asset through the last billing cycle for the 240th month from inception pursuant to paragraph 5 of this Revised and Restated Settlement Agreement; the potential recovery of additional funds

to fund the CR3 Nuclear Decommissioning Trust pursuant to paragraph 7b of this Revised and Restated Settlement Agreement; the potential recovery of the CRS net book value pursuant to paragraph 8 of this Revised and Restated Settlement Agreement; and the recovery of the LNP and EPU costs through the time periods established by this Revised and Restated Settlement Agreement and Section 366.93(6), F.S., and Commission Rule 25-6.0423(6), F.A.C. Notwithstanding the rate relief mechanism described in paragraph 23, DEF is prohibited from seeking or implementing an interim rate increase pursuant to Section 366.071, F.S., until the expiration of the Term of this Revised and Restated Settlement Agreement. The Intervenor Parties likewise will neither seek nor support any reduction in DEF's base rates and charges, including limited, interim, or any other rate decreases, that would take effect prior to the first billing cycle for January 2019, except for any reduction requested by DEF or as otherwise provided for in this Revised and Restated Settlement Agreement.

22. No Party to this Revised and Restated Settlement Agreement will request, support, or seek to impose a change to any provision in this Revised and Restated Settlement Agreement. This Revised and Restated Settlement Agreement, and the attached exhibits and schedules, represent the entire and complete agreement between the Parties. The Parties consider each provision to be integral to their respective support for the Revised and Restated Settlement Agreement in its entirety, and no provision may be changed or altered without the consent of each signatory Party in a written document duly executed by all Parties to this Revised and Restated Settlement Agreement. To the extent a dispute arises among the Parties about the provisions, interpretation, or application of this Revised and Restated Settlement Agreement, the

Parties agree to meet and confer in an effort to resolve the dispute. To the extent that the Parties cannot resolve any dispute, the matter may be submitted to the Commission for resolution. Florida law will govern all terms, conditions, and provisions of this Revised and Restated Settlement Agreement, including, but not limited to, any disputes arising from this Revised and Restated Settlement Agreement.

23. If DEF's retail base rate earnings fall below a 9.5% ROE as reported on a Commission adjusted or pro-forma basis on a DEF monthly earnings surveillance report during the Term of this Revised and Restated Settlement Agreement, DEF may petition the Commission to amend its base rates during the Term of this Revised and Restated Settlement Agreement. Such request by the Company shall be limited to an increase that would achieve a 10.5% ROE. No Party waives its right to participate in such a proceeding, and such participation will only be limited by the terms of this Revised and Restated Settlement Agreement. If DEF's retail base rate earnings exceed an 11.5% ROE as reported on a Commission adjusted or pro-forma basis on a DEF monthly earnings surveillance report during the Term of the Revised and Restated Settlement Agreement, any Intervenor Party to this Revised and Restated Settlement Agreement shall be entitled to petition the Commission for a review of DEF's base rates and charges. Prior to requesting any such relief under this paragraph, DEF must have reflected on its referenced surveillance report any remaining credited depreciation expense (cost of removal) identified in paragraph 20. The Parties to this Revised and Restated Settlement Agreement are not precluded from participating in any such proceedings. This paragraph shall not be construed to bar or limit DEF from any recovery of costs otherwise contemplated by this Revised and Restated Settlement

Agreement, and all other provisions of this Revised and Restated Settlement Agreement shall remain in force and effect.

24. Nothing shall preclude the Company from requesting the Commission to approve the recovery of the following types of costs:

a. Costs that are of a type which traditionally and historically would be, have been, or are presently recovered through cost recovery clauses or surcharges, or

b. Costs which the Legislature or Commission determines are clause recoverable prior to or subsequent to the approval of this Revised and Restated Settlement Agreement.

c. With respect to storm damage costs caused by a tropical system named by the National Hurricane Center or its successor, nothing in this Revised and Restated Settlement Agreement shall preclude DEF from petitioning the Commission to seek recovery of costs associated with any storms without the application of any form of earnings test or measure and irrespective of previous or current base rate earnings or level of cost of removal reserve. The Parties agree that recovery from customers for storm damage costs will begin, subject to Commission approval on an interim basis, sixty (60) days following the filing of a cost recovery petition with the Commission, and subject to true-up pursuant to further proceedings before the Commission, and will be based on a 12-month recovery period. All storm-related costs shall be calculated and disposed of pursuant to Commission Rule 25-6.0143, F.A.C., and will be limited to costs resulting from a tropical system named by the National Hurricane Center or its successor, an estimate of incremental costs above the level of storm reserve prior to the storm event, and replenishment of the storm reserve to the level as of the

Implementation Date of 2012 Settlement Agreement. The Intervenor Parties to this Revised and Restated Settlement Agreement are not precluded from participating in any such proceedings. The Parties expressly agree that any proceeding to recover costs associated with any storm shall not be a vehicle for a "rate case" type inquiry concerning the expenses, investment, or financial results of operations of the Company and shall not apply any form of earnings test or measure or consider previous or current base rate earnings or level of cost of removal reserve.

25. The provisions of this Revised and Restated Settlement Agreement are contingent on approval of this Revised and Restated Settlement Agreement in its entirety by the Commission. The Parties further agree that they will support this Revised and Restated Settlement Agreement and will not request or support any order, relief, outcome, or result in express conflict with the terms of this Revised and Restated Settlement Agreement in any administrative or judicial proceeding relating to, reviewing, or challenging the establishment, approval, adoption, or implementation of this Revised and Restated Settlement Agreement or the subject matter hereof. No Party will assert in any proceeding before the Commission that this Revised and Restated Settlement Agreement or any of the terms in the Revised and Restated Settlement Agreement shall have any precedential value. The Parties' agreement to the terms in the Revised and Restated Settlement Agreement shall be without prejudice to any Party's ability to advocate a different position in future proceedings not involving the Revised and Restated Settlement Agreement. The Parties further expressly agree that no individual provision, by itself, necessarily represents a position of any party in a future proceeding nor shall any Party represent in any future forum that another Party endorses a specific

provision of this Revised and Restated Settlement Agreement because of that Party's signature herein. It is the intent of the Parties to this Revised and Restated Settlement Agreement that the Commission's approval of all the terms and provisions of this Revised and Restated Settlement Agreement is an express recognition that no individual term or provision, by itself, necessarily represents a position, in isolation, of any Party or that a Party to this Revised and Restated Settlement Agreement endorses a specific provision, in isolation, of this Revised and Restated Settlement Agreement because of that Party's signature herein.

26. All dollar values, asset determinations, rate impact values, or revenue requirements in this Revised and Restated Settlement Agreement are intended by the Parties to be retail jurisdictional in amount or formulation basis, unless otherwise specified.

27. This Revised and Restated Settlement Agreement dated as of July 31, 2013 may be executed in counterpart originals, and a facsimile or PDF email of an original signature shall be deemed an original.

In Witness Whereof, the Parties evidence their acceptance and agreement with the provisions of this Revised and Restated Settlement Agreement by their signatures below.

[Remainder of page left intentionally blank]

Duke Energy Florida, Inc.

By_____

John T. Burnett, Esquire
Post Office Box 14042
St. Petersburg, Florida 33733

Office of Public Counsel

By _____

J.R. Kelly, Esquire
Charles Rehwinkel, Esquire
Erik Sayler, Esquire
111 W. Madison St., Room 812
Tallahassee, Florida 32399

Florida Industrial Power Users Group

By _____

Jon C. Moyle, Jr., Esquire
Moyle Law Firm, PA
118 North Gadsden Street
Tallahassee, FL 32301

White Springs Agricultural Chemicals, Inc.

By _____

James W. Brew, Esquire
Brickfield, Burchette, Ritts & Stone, P.C.
1025 Thomas Jefferson St., NW
Eighth Floor, West Tower
Washington, DC 20007

Florida Retail Federation

By Robert Scheffel Wright

Robert Scheffel Wright, Esquire
Gardner Bist Wiener Wadsworth Bowden
Bush Dee LaVia & Wright, P.A.
1300 Thomaswood Drive
Tallahassee, FL 32308

Exhibit 10
Page 1 of 1
Duke Energy Florida

Template for Calculation of the CR3 Regulatory Asset Value and Revenue Requirement

Line No.	Pre or Post Retirement Component Classification	*category*	Subject to Cap	Dry Cask Storage
1				
2	Electric Plant In Service	a	$__	
3	Less Accumulated Depreciation	b	$__	
4	Net plant balance	fallout	$__	
5	Write-Down	b	($295m)	
6	Construction Work In Progress (CWIP)			
7	Steam Generator Replacement (SGR) Project	a	$__	
8	Delam Repair Project	b	$__	
9	License Amendment Request (LAR)	b	$__	
10	Dry Cask Storage	d		$__
11	Fukushima	d	$__	
12	Building Stabilization Project	c	$__	
13	Other - CWIP	d	$__	
14	Nuclear Fuel Inventories	a	$__	
15	Nuclear Materials and Supplies Inventories	a	$__	
16	Deferred expenses	e	$__	
17	Cumulative AFUDC (6.00%)	fallout	$__	$__
18	Cost of Removal Reg Asset - CR3 Portion (Order No. PSC 10-0398-S-EI)	b	$__	
19	Total CR3 Regulatory Asset	fallout	$__	$__
20	Rate of Return (Settlement Agreement Exhibit 3: 6% grossed up for taxes)	b	8.12%	8.12%
21	Return	b	$__	$__
22	Amortization expense (20 years)	b	$__	$__
23	Total revenue requirement	fallout	$__	$__

category

a The Intervenor Parties fully and forever waive, release, discharge and otherwise extinguish any and all of their rights to contest DEF's right to recover these costs except that the Intervenor Parties retain the right to challenge whether DEF took reasonable and prudent actions to minimize the future CR3 Regulatory Asset value after February 5, 2013 and to sell or otherwise salvage assets after February 5, 2013 that would otherwise be included in the CR3 Regulatory Asset.

b The Intervenor Parties fully and forever waive, release, discharge and otherwise extinguish any and all of their rights to contest DEF's right to recover these costs.

c The Intervenor Parties fully and forever waive, release, discharge and otherwise extinguish any and all of their rights to contest DEF's right to recover costs incurred by the Company before February 5, 2013. The Intervenor Parties retain the right to challenge the prudence of any costs incurred after and applicable to the period after February 5, 2013 that are submitted for recovery by the Company.

d The Intervenor Parties retain the right to challenge the prudence of any costs submitted for recovery by the Company.

e The Intervenor Parties retain the right to verify that the Company has complied with paragraph 5b of the Revised and Restated Settlement Agreement.

Note: Line 17 of this exhibit reflects the impact of the calculation presented on line 5 of exhibit 11.

Exhibit 11
Page 1 of 1
Duke Energy Florida

Example of Recovery of CR3 Regulatory Asset Carrying Cost

Line		2014	2015	2016
1	Fuel Rate Increase ($/mWh)	$1.00	$1.00	$1.50
2	Multiply by Retail mWhs	x	x	x
3	Equals Total Revenue Recovered in Rates	$x	$x	$x
4	Less Income Tax Expense	-$x	-$x	-$x
5	Equals Avoided Increase in CR3 Regulatory Asset	$x	$x	$x

Note: The effects of the calculation on line 5 of this exhibit are incorporated in the final calculation of line 17 of exhibit 10.

Duke Energy Florida
RRSSA Exhibit 10 Template Populated
Template for Calculation of the CR3 Regulatory Asset Value and Revenue Requirement
Portion Subject to Cap Only (Excludes Dry Cask Storage Component)
($ thousands)

Line No.	Pre or Post Retirement Component Classification	*category*	(A) Historical Balance Dec '12	(B) Historical Activity Jan'13-Apr'15	(C) Actual Balance Apr '15	(D) Projected Activity May-Dec '15	(E) Projected Balance Dec '15
1							
2	Electric Plant In Service	a	$840,360	($11,649)	$828,711		$828,711
3	Less Accumulated Depreciation	b	431,752	(8,346)	423,406		423,406
4	Net plant balance	fallout	408,608	(3,303)	405,305		405,305
5	Write-Down	b		(295,000)	(295,000)		(295,000)
6	Construction Work In Progress (CWIP)						
7	Steam Generator Replacement (SGR) Project	a	369,915	(9,695)	360,220		360,220
8	Delam Repair Project	b	165,500	1,764	167,264		167,264
9	License Amendment Request (LAR)	b	18,832	720	19,552		19,552
10	Dry Cask Storage	d	n/a	n/a	n/a		n/a
11	Fukushima	d	1,553	940	2,493		2,493
12	Building Stabilization Project	c		23,640	23,640		23,640
13	Other - CWIP	d	45,826	7,388	53,214		53,214
14	Nuclear Fuel Inventories	a	243,564	11,968	255,532	(119,363)	136,169
15	Nuclear Materials and Supplies Inventories	a	49,055	1,168	50,223		50,223
16	Deferred expenses	e	8,373	86,087	94,460		94,460
17	Cumulative AFUDC (6.00%)	fallout		140,890	140,890	32,115	173,005
18	Cost of Removal Reg Asset - CR3 Portion (Order No. PSC 10-0398-S-EI)	b	18,500	88,969	107,469		107,469
19	Total CR3 Regulatory Asset	fallout	$1,329,726	$55,535	$1,385,261	($87,248)	$1,298,012
20	Rate of Return (Settlement Agreement Exhibit 3: 6% grossed up for taxes)	b					8.12%
21	Return	b					$105,399
22	Amortization expense (20 years)	b					$64,901
23	Total revenue requirement	fallout					$170,299

category

a The Intervenor Parties fully and forever waive, release, discharge and otherwise extinguish any and all of their rights to contest DEF's right to recover these costs except that the Intervenor Parties retain the right to challenge whether DEF took reasonable and prudent actions to minimize the future CR3 Regulatory Asset value after February 5, 2013 and to sell or otherwise salvage assets after February 5, 2013 that would otherwise be included in the CR3 Regulatory Asset.

b The Intervenor Parties fully and forever waive, release, discharge and otherwise extinguish any and all of their rights to contest DEF's right to recover these costs.

c The Intervenor Parties fully and forever waive, release, discharge and otherwise extinguish any and all of their rights to contest DEF's right to recover costs incurred by the Company before February 5, 2013. The Intervenor Parties retain the right to challenge the prudence of any costs incurred after and applicable to the period after February 5, 2013 that are submitted for recovery by the Company.

d The Intervenor Parties retain the right to challenge the prudence of any costs submitted for recovery by the Company.

e The Intervenor Parties retain the right to verify that the Company has complied with paragraph 5b of the Revised and Restated Settlement Agreement.

Note: Line 17 of this exhibit reflects the impact of the calculation presented on line 5 of exhibit 11.

Duke Energy Florida
RRSSA Exhibit 11 Template Populated
(in thousands)

Line		(A) Actual Jan-Dec 2014	(B) Actual Jan-Apr 2015	(C) Est. May-Dec 2015	(D) Total Jan-Dec 2015	(E) Total 2014-15
1	Fuel Rate Increase ($/mwh)	$1.00	$1.00	$1.00	$1.00	$1.00
2	Multiply by Retail mWhs	37,240	11,039	26,715	37,753	74,993
3	Equals Total Revenue Recovered in Rates	$37,240	$11,039	$26,715	$37,753	74,993
4	Less Income Tax Expense	($14,365)	($4,258)	($10,305)	($14,563)	(28,929)
5	Equals Avoided Increase in CR3 Regulatory Asset	$22,875	$6,780	$16,409	$23,190	$46,065

Note: the effects of the calculation on line 5 of this exhibit are incorporated in the final calculation of line 17 of exhibit 10.

Duke Energy Florida
Rate Schedules
Development of Unbilled Revenue @ Present Rates and Summary of Total Present and Proposed Class Revenue

Line No.	Rate Schedule	(1) Billed Sales (MWH) *	(2) Customer Charge ($000) **	(3) Demand and Energy Charge ($000) **	(4) Total Base Revenue Billed ($000) (2) + (3)	(5) Demand and Energy Charge ($/MWH) (3) / (1)	(6) Unbilled Sales (MWH) **	(7) Unbilled Revenue ($000) (5) x (6)	(8) Total Class Revenue ($000) (4) + (7)	(9) Total Demand and Energy Revenue Including Unbilled ($000) (3) + (7)	(10) Base Rate Increase at Uniform Percent ($000) 10.08% (9) x %	(11) Total Class Revenue with Increase ($000) (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

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET: 150148-EI EXHIBIT: 5
PARTY: DUKE ENERGY FLORIDA, INC.
(DEF) – (DIRECT)
DESCRIPTION: Marcia Olivier MO-4

Duke Energy Florida
Rate Schedules
Detailed Unit Charges by Rate Schedule
2013 Re-Settlement for 1/1/2016 Effective Date

Rate Schedule	Type of Charge	1/1/2015 Current/Prior Rate	1/1/2016 Proposed Rate
SC-1	Initial Connection - $	61.00	61.00
	Reconnection - $	28.00	28.00
	Transfer of Account - No LSA Contract - $	28.00	28.00
	Transfer of Account - LSA Contract Required - $	10.00	10.00
	Reconnect After Disconnect For Non-Pay - $	40.00	40.00
	Reconnect After Disconnect For Non-Pay After Hours -$	50.00	50.00
	Investigation of Unauthorized Use - (RPI)	75.00	75.00
	Late Payment Charge	> $5.00 or 1.5%	> $5.00 or 1.5%
	Returned Check Charge	$25 if <= $50	$25 if <= $50
		$30 if <= $300	$30 if <= $300
		$40 if <= $800	$40 if <= $800
		5% if > $800	5% if > $800
TS-1	Temporary Service Extension - Monthly $	227.00	227.00
RS-1	Customer Charge - $ per Line of Billing		
RST-1	Standard	8.76	8.76
RSS-1	Seasonal (RSS-1)	4.58	4.58
RSL-1	Time of Use		
RSL-2	Single Phase	16.19	16.19
(RST closed	Three Phase	16.19	16.19
2/10/2010)	Customer CIAC Paid	8.76	8.76
	TOU Metering CIAC - $ One Time Charge	90.00	90.00
	Energy and Demand Charge - cents per KWH		
	Standard		
	0 - 1,000 KWH	4.974	5.475
	Over 1,000 KWH	6.336	6.975
	Time of Use - On Peak	15.360	16.908
	Time of Use - Off Peak	0.853	0.939
GS-1	Customer Charge - $ per Line of Billing		
GST-1	Standard		
	Unmetered	6.54	6.54
	Secondary	11.59	11.59
	Primary	146.56	146.56
	Transmission	722.90	722.90
	Time of Use		
	Single Phase	19.01	19.01
	Three Phase	19.01	19.01
	Customer CIAC Paid	11.59	11.59
	Primary	153.99	153.99
	Transmission	730.32	730.32
	TOU Metering CIAC - $ One Time Charge	132.00	132.00
	Energy and Demand Charge - cents per KWH		
	Standard	5.403	5.948
	Time of Use - On Peak	15.335	16.881
	Time of Use - Off Peak	0.831	0.915
	Premium Distribution Charge - cents per KWH	0.738	0.812
	Meter Voltage Adjustment - % of Demand & Energy Charges		
	Primary	1.0%	1.0%

Duke Energy Florida
Rate Schedules
Detailed Unit Charges by Rate Schedule
2013 Re-Settlement for 1/1/2016 Effective Date

Rate Schedule	Type of Charge	1/1/2015 Current/Prior Rate	1/1/2016 Proposed Rate
	Transmission	2.0%	2.0%
	Equipment Rental - % of Installed Equipment Cost	1.67%	1.67%
GS-2	Customer Charge - $ per Line of Billing		
	Standard		
	Unmetered	6.54	6.54
	Metered	11.59	11.59
	Energy and Demand Charge - cents per KWH		
	Standard	2.048	2.254
	Premium Distribution Charge - cents per KWH	0.149	0.164
GSD-1	Customer Charge - $ per Line of Billing		
GSDT-1	Standard		
	Secondary	11.59	11.59
	Primary	146.56	146.56
	Transmission	722.90	722.90
	Time of Use		
	Secondary	19.01	19.01
	Secondary - Customer CIAC paid	11.59	11.59
	Primary	153.99	153.99
	Primary - Customer CIAC paid	146.56	146.56
	Transmission	730.32	730.32
	Transmission Customer CIAC paid	722.90	722.90
	Demand Charge - $ per KW		
	Standard	5.06	5.57
	Time of Use		
	Base	1.24	1.36
	On Peak	3.76	4.14
	Delivery Voltage Credits - $ per KW		
	Primary	0.40	0.44
	Transmission	1.49	1.64
	Premium Distribution Charge - $ per KW	1.09	1.20
	Energy Charge - cents per KWH		
	Standard	2.256	2.483
	Time of Use - On Peak	4.911	5.406
	Time of Use - Off Peak	0.824	0.907
	Meter Voltage Adjustment - % of Demand & Energy Charges		
	Primary	1.0%	1.0%
	Transmission	2.0%	2.0%
	Power Factor - $ per KVar	0.29	0.32
	Equipment Rental - % of Installed Equipment Cost	1.67%	1.67%
CS-1			
CS-2	Customer Charge - $ per Line of Billing		
CS-3	Secondary	75.96	75.96
CST-1	Primary	210.93	210.93
CST-2	Transmission	787.26	787.26
CST-3			
	Demand Charge - $ per KW		

Duke Energy Florida
Rate Schedules
Detailed Unit Charges by Rate Schedule
2013 Re-Settlement for 1/1/2016 Effective Date

Rate Schedule	Type of Charge	1/1/2015 Current/Prior Rate	1/1/2016 Proposed Rate
	Standard	8.13	8.95
	Time of Use		
	Base	1.21	1.33
	On Peak	6.86	7.55
	Curtailable Demand Credit		
	CS-1, CST-1 - $ per KW of Curtailable Demand (CST=on peak)	4.68	4.68
	CS-2, CST-2 - $ per KW LF adjusted Demand	8.16	8.16
	CS-3, CST-3 - $ per KW of Contract Demand	8.16	8.16
	Delivery Voltage Credits - $ per KW		
	Primary	0.40	0.44
	Transmission	1.49	1.64
	Premium Distribution Charge - $ per KW	1.09	1.20
	Energy Charge - cents per KWH		
	Standard	1.485	1.635
	Time of Use - On Peak	2.725	3.000
	Time of Use - Off Peak	0.819	0.902
	Meter Voltage Adjustment - % of Demand & Energy Charges		
	Primary	1.0%	1.0%
	Transmission	2.0%	2.0%
	Power Factor - $ per KVar	0.29	0.32
	Equipment Rental - % of Installed Equipment Cost	1.67%	1.67%
IS-1	Customer Charge - $ per Line of Billing		
IS-2	Secondary	278.95	278.95
IST-1	Primary	413.94	413.94
IST-2	Transmission	990.26	990.26
	Demand Charge - $ per KW		
	Standard	6.88	7.57
	Time of Use		
	Base	1.09	1.20
	On Peak	6.02	6.63
	Interruptible Demand Credit		
	IS-1, IST-1 - $ per KW of Billing Demand (IST= on peak)	6.24	6.24
	IS-2, IST-2 - $ per KW LF Adjusted Demand	10.88	10.88
	Delivery Voltage Credits - $ per KW		
	Primary	0.40	0.44
	Transmission	1.49	1.64
	Premium Distribution Charge - $ per KW	1.09	1.20
	Energy Charge - cents per KWH		
	Standard	0.995	1.095
	Time of Use - On Peak	1.394	1.535
	Time of Use - Off Peak	0.813	0.895
	Meter Voltage Adjustment - % of Demand & Energy Charges		
	Primary	1.0%	1.0%

Duke Energy Florida
Rate Schedules
Detailed Unit Charges by Rate Schedule
2013 Re-Settlement for 1/1/2016 Effective Date

Rate Schedule	Type of Charge	1/1/2015 Current/Prior Rate	1/1/2016 Proposed Rate
	Transmission	2.0%	2.0%
	Power Factor - $ per KVar	0.29	0.32
	Equipment Rental - % of Installed Equipment Cost	1.67%	1.67%
LS-1	Customer Charge - $ per Line of Billing		
	Standard		
	Unmetered	1.19	1.19
	Metered	3.42	3.42
	Energy and Demand Charge - cents per KWH		
	Standard	2.132	2.347
	Fixture & Maintenance Charges - $ per fixture	per type	per type
	Pole Charges - $ per pole	per type	per type
	Other Fixture Charge Rate - % of Installed Fixture Cost	1.59%	1.59%
	Other Pole Charge Rate - % of Installed Pole Cost	1.82%	1.82%
SS-1	Customer Charge - $ per Line of Billing		
	Secondary	100.71	100.71
	Primary	235.69	235.69
	Transmission	812.02	812.02
	Customer Owned	81.21	81.21
	Base Rate Energy Customer Charge - cents per KWH	0.982	1.081
	Distribution Charge - $ per KW		
	Applicable to Specified SB Capacity	1.99	2.19
	Generation and Transmission Capacity Charge		
	Greater of : - $ per KW		
	Monthly Reservation Charge		
	Applicable to Specified SB Capacity	1.109	1.221
	Peak Day Utilized SB Power Charge of:	0.528	0.581
	Delivery Voltage Credits - $ per KW		
	Primary	0.36	0.40
	Transmission	n/a	n/a
	Premium Distribution Charge - $ per KW	1.01	1.11
SS-2	Customer Charge - $ per Line of Billing		
	Secondary	303.71	303.71
	Primary	438.68	438.68
	Transmission	1,015.02	1,015.02
	Customer Owned	284.20	284.20
	Base Rate Energy Customer Charge - cents per KWH	0.971	1.069
	Distribution Charge - $ per KW		
	Applicable to Specified SB Capacity	1.99	2.19
	Generation and Transmission Capacity Charge		
	Greater of : - $ per KW		
	Monthly Reservation Charge		
	Applicable to Specified SB Capacity	1.109	1.221
	Peak Day Utilized SB Power Charge of:	0.528	0.581

Duke Energy Florida
Rate Schedules
Detailed Unit Charges by Rate Schedule
2013 Re-Settlement for 1/1/2016 Effective Date

Rate Schedule	Type of Charge	1/1/2015 Current/Prior Rate	1/1/2016 Proposed Rate
	Interruptible Capacity Credit - $ per KW		
	Monthly Reservation Credit	0.979	0.979
	Daily Demand Credit	0.466	0.466
	Delivery Voltage Credits - $ per KW		
	Primary	0.36	0.40
	Transmission	n/a	n/a
	Premium Distribution Charge - $ per KW	1.01	1.11
SS-3	Customer Charge - $ per Line of Billing		
	Secondary	100.71	100.71
	Primary	235.69	235.69
	Transmission	812.02	812.02
	Customer Owned	81.21	81.21
	Base Rate Energy Customer Charge - cents per KWH	0.974	1.072
	Distribution Charge - $ per KW		
	Applicable to Specified SB Capacity	1.99	2.19
	Generation and Transmission Capacity Charge		
	Greater of : - $ per KW		
	Monthly Reservation Charge		
	Applicable to Specified SB Capacity	1.109	1.221
	Peak Day Utilized SB Power Charge of:	0.528	0.581
	Curtailable Capacity Credit - $ per KW		
	Monthly Reservation Credit	0.734	0.734
	Daily Demand Credit	0.350	0.350
	Delivery Voltage Credits - $ per KW		
	Primary	0.36	0.40
	Transmission	n/a	n/a
	Premium Distribution Charge - $ per KW	1.01	1.11
	Gross Receipts Tax	2.5641%	2.5641%
	Rate Adjustment	0.00%	0.00%
	Rate Adjustment Effective Date	2/10/2010	2/10/2010
Various	Supplemental Service under SS-1, SS-2, SS-3 - (otherwise applicable rate)		
	Customer Charge	0.00	0.00
GSLM-2	Capacity Credit		
	<= 200 CRH	4.50	4.50
	> 200 CRH	5.40	5.40

REDACTED

Docket No. _____
Witness: Olivier
Exhibit No. (MO-5)
Page 1 of 1

Duke Energy Florida
Estimated Nuclear Fuel Proceeds
($ thousands)

		Total	UF6 Aug-15	Est. Only EUP TBD	Batch 19 Total	Batch 19 Dec-16	Batch 19 Dec-17
Net fuel proceeds		$141,906	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Less joint owner	8.2194%	(11,664)					
Retail/Whls portion		130,242					
Less wholesale portion	8.353%	(10,879)					
Retail portion to CR3 reg asset		$119,363					

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET: 150148-EI EXHIBIT: 6
PARTY: DUKE ENERGY FLORIDA, INC.
(DEF) – (DIRECT)
DESCRIPTION: Marcia Olivier MO-5

REDACTED

Docket No. _____
Witness: Olivier
Exhibit No. (MO-6)
Page 1 of 1

Duke Energy Florida
CCR Nuclear Fuel Illustrative Impact
(In Thousands)

	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Total-16
Sale of Batch 19	[redacted]												
Beginning Balance		[redacted]											
Proceeds - Batch 19												[redacted]	
Ending Balance	[redacted]												
Average Balance		[redacted]											
Carrying Charge*	8.12%	8.12%	8.12%	8.12%	8.12%	8.12%	8.12%	8.12%	8.12%	8.12%	8.12%	8.12%	
CCR Rev. Req.	[redacted]												
Resid. Rate ($/mwh)													$0.08

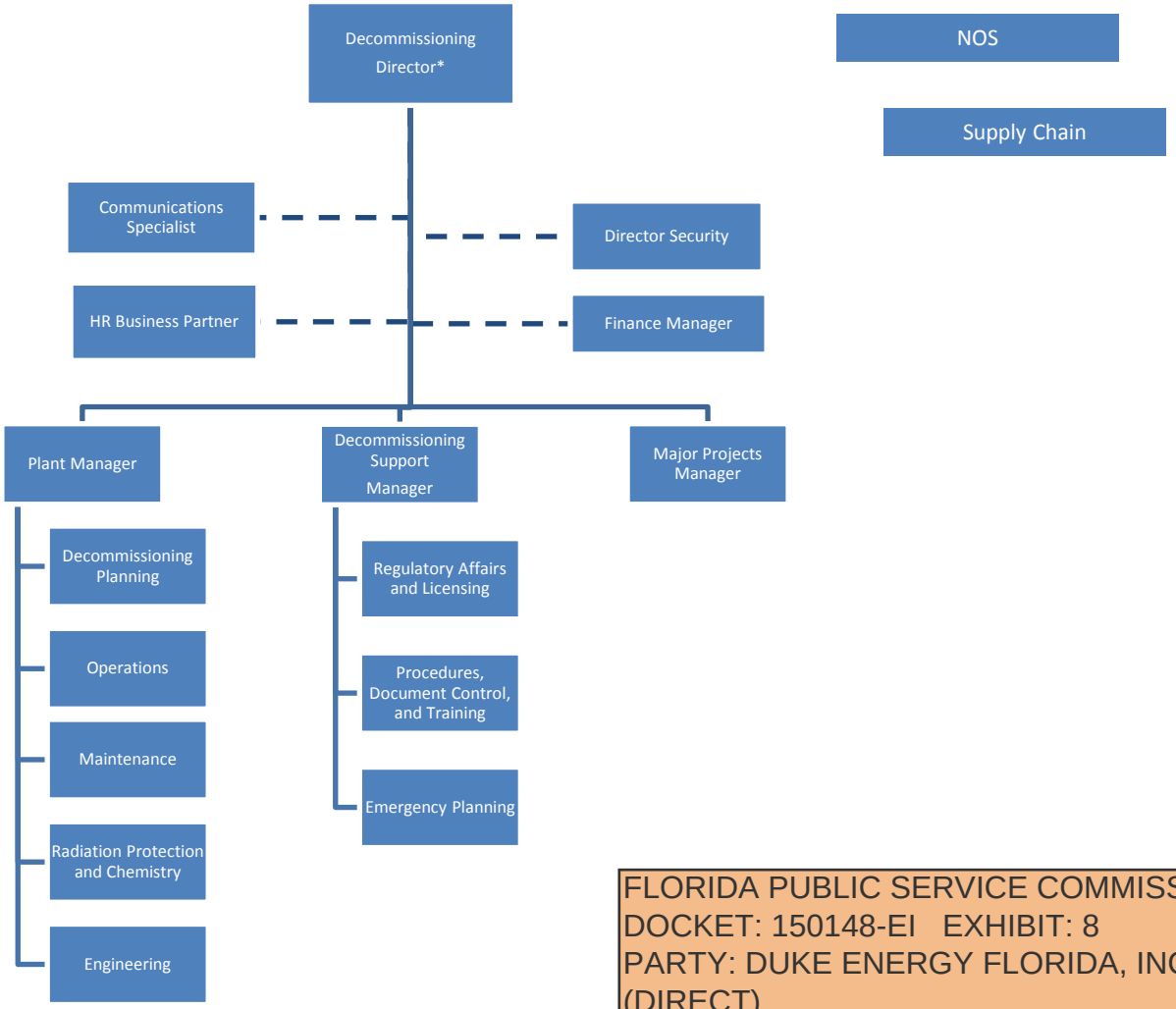
	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Total-17
Beginning Balance	[redacted]												
Proceeds - Batch 19												[redacted]	
Ending Balance	[redacted]												
Average Balance		[redacted]											
Carrying Charge*	8.12%	8.12%	8.12%	8.12%	8.12%	8.12%	8.12%	8.12%	8.12%	8.12%	8.12%	8.12%	
CCR Rev. Req.	[redacted]												
Resid. Rate ($/mwh)													$0.04

* Rate is consistent with Revised and Restated Stipulation and Settlement Agreement, Exhibit 10, approved in Order No. PSC-13-0598-FOF-EI.

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET: 150148-EI EXHIBIT: 7
PARTY: DUKE ENERGY FLORIDA, INC.
(DEF) – (DIRECT)
DESCRIPTION: Marcia Olivier MO-6

Docket No. _____
Witness: Hobbs
Exhibit No. ___ (TH-1)
Page 1 of 1

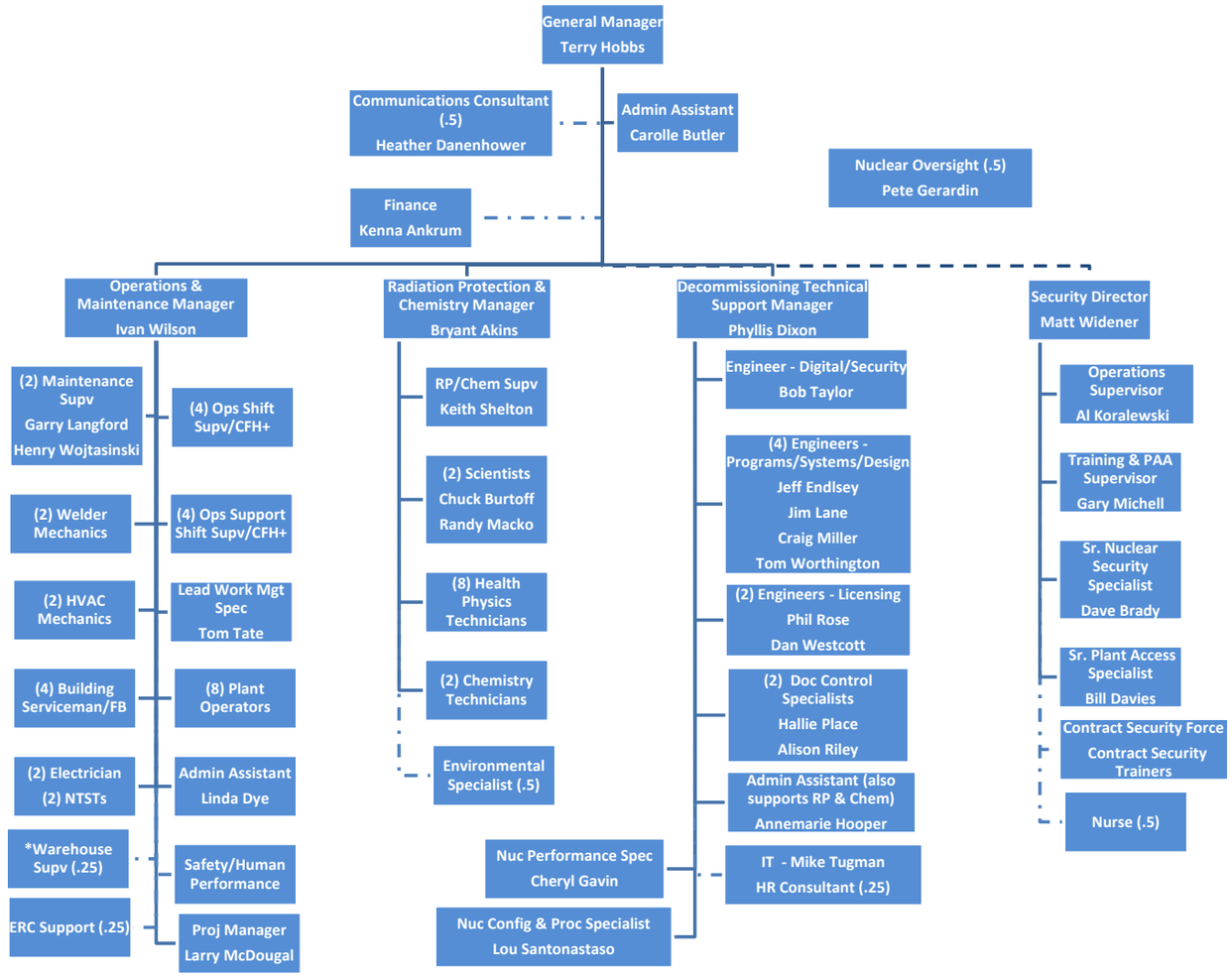
DTO Organizational Chart



FLORIDA PUBLIC SERVICE COMMISSION
DOCKET: 150148-EI EXHIBIT: 8
PARTY: DUKE ENERGY FLORIDA, INC. (DEF) – (DIRECT)
DESCRIPTION: Terry Hobbs TH-1

Docket No. _____
Witness: Hobbs
Exhibit No. ___ (TH-2)
Page 1 of 1

SAFSTOR I - effective on or before July 1, 2015



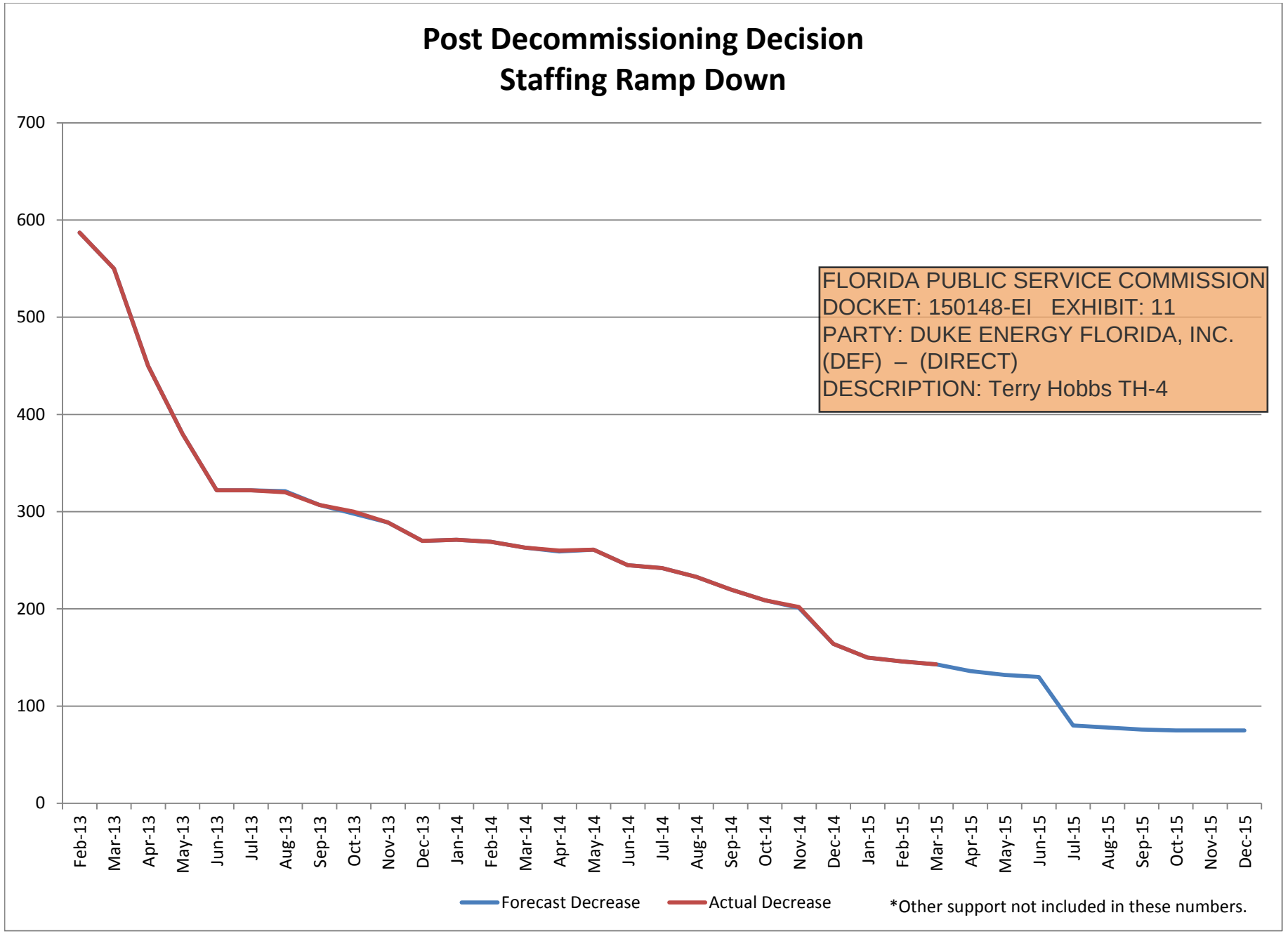
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET: 150148-EI EXHIBIT: 9
PARTY: DUKE ENERGY FLORIDA, INC.
(DEF) – (DIRECT)
DESCRIPTION: Terry Hobbs TH-2

Exemption	Submitted	Status	Emergency Preparedness	Security	Decommissioning Funding	Liability Insurance
Exemption Request from 10 CFR 73 Physical Security Requirements (to Allow Certified Fuel Handler to Suspend Security Measures)	July 17, 2013	Exemption granted by letter dated December 9, 2014		X		
Permanently Defueled Emergency Plan and Request for Exemption to Certain Radiological Emergency Response Plan Requirements Defined by 10 CFR 50	September 26, 2013	Exemption granted by letter dated March 30, 2015	X			
Request for Exemptions from 10 CFR, Appendix B, General Criteria for Security Personnel (Annual Force-on-Force Exercise)	January 15, 2014	Withdrawn by CR-3 by letter dated June 30, 2014		X		
Request for Exemptions from 10 CFR 50.82(a)(8)(i)(A) and 10 CFR 50.75(h)(2) (Decommissioning Trust Fund Use)	March 28, 2014	Exemption granted by letter dated January 26, 2015			X	
Exemption Request from 10 CFR 140.11 Regarding Minimum Requirement for Offsite Liability Insurance and Release from Participation in the Secondary Retrospective Rating Pool	May 7, 2014	Exemption granted April 27, 2015				X

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET: 150148-EI EXHIBIT: 10
PARTY: DUKE ENERGY FLORIDA, INC. (DEF) – (DIRECT)
DESCRIPTION: Terry Hobbs TH-3

Crystal River Unit 3 - Exemptions and License Amendment Requests

License Amendment Request	Submitted	Status
License Amendment Request #313, Revision 0: Revision to Improved Technical Specifications Administrative Controls for Permanently Defueled Conditions	April 25, 2013	License Amendment No. 244 granted by letter dated July 11, 2014
License Amendment Request #314, Revision 0: Facility Operating License for Change of Licensee Name	March 20, 2013	License Amendment No. 243 granted by letter dated October 18, 2013
License Amendment Request #315, Revision 0: Permanently Defueled Emergency Plan and Emergency Action Level Scheme, and Request for Exemption to Certain Radiological Emergency Response Plan Requirements Defined by 10 CFR 50	September 26, 2013	License Amendment No. 246 granted by letter dated March 31, 2015
License Amendment Request #316, Revision 0: Revise and Remove License Conditions and Revision to Improved Technical Specifications to Establish Permanently Defueled Technical Specifications	October 29, 2013	Pending
License Amendment Request – Cyber Security Plan Implementation Schedule Milestone 8	December 19, 2013	License Amendment No. 245 granted by letter dated December 19, 2014
Application for Order Approving Transfer of License and for Conforming License Amendment Pursuant to 10 CFR 50.80 and 10 CFR 50.90	November 7, 2014	Pending
License Amendment Request # 317 Revision to Improved Technical Specifications Administrative Controls Section to reflect organizational and title changes being made as part of the transition to the SAFSTOR organization.	May 7, 2015	Pending


Post Decommissioning Decision
Staffing Ramp Down
700
600
500
400
300
200
100
0
Feb-13
Mar-13
Apr-13
May-13
Jun-13
Jul-13
Aug-13
Sep-13
Oct-13
Nov-13
Dec-13
Jan-14
Feb-14
Mar-14
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Dec-14
Jan-15
Feb-15
Mar-15
Apr-15
May-15
Jun-15
Jul-15
Aug-15
Sep-15
Oct-15
Nov-15
Dec-15
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET: 150148-EI EXHIBIT: 11
PARTY: DUKE ENERGY FLORIDA, INC.
(DEF) – (DIRECT)
DESCRIPTION: Terry Hobbs TH-4
Forecast Decrease
Actual Decrease
*Other support not included in these numbers.

Template for Calculation of the CR3 Regulatory Asset Value and Revenue Requirement

Line No.	Pre or Post Retirement Component Classification	*category*	Subject to Cap	Dry Cask Storage
1				
2	Electric Plant In Service	a	$__	
3	Less Accumulated Depreciation	b	$__	
4	Net plant balance	fallout	$__	
5	Write-Down	b	($295m)	
6	Construction Work In Progress (CWIP)			
7	Steam Generator Replacement (SGR) Project	a	$__	
8	Delam Repair Project	b	$__	
9	License Amendment Request (LAR)	b	$__	
10	Dry Cask Storage	d		$__
11	Fukushima	d	$__	
12	Building Stabilization Project	c	$__	
13	Other - CWIP	d	$__	
14	Nuclear Fuel Inventories	a	$__	
15	Nuclear Materials and Supplies Inventories	a	$__	
16	Deferred expenses	e	$__	
17	Cumulative AFUDC (6.00%)	fallout	$__	$__
18	Cost of Removal Reg Asset - CR3 Portion (Order No. PSC 10-0398-S-EI)	b	$__	
19	Total CR3 Regulatory Asset	fallout	$__	$__
20	Rate of Return (Settlement Agreement Exhibit 3: 6% grossed up for taxes)	b	8.12%	8.12%
21	Return	b	$__	$__
22	Amortization expense (20 years)	b	$__	$__
23	Total revenue requirement	fallout	$__	$__

category

a The Intervenor Parties fully and forever waive, release, discharge and otherwise extinguish any and all of their rights to contest DEF's right to recover these costs except that the Intervenor Parties retain the right to challenge whether DEF took reasonable and prudent actions to minimize the future CR3 Regulatory Asset value after February 5, 2013 and to sell or otherwise salvage assets after February 5, 2013 that would otherwise be included in the CR3 Regulatory Asset.

b The Intervenor Parties fully and forever waive, release, discharge and otherwise extinguish any and all of their rights to contest DEF's right to recover these costs.

c The Intervenor Parties fully and forever waive, release, discharge and otherwise extinguish any and all of their rights to contest DEF's right to recover costs incurred by the Company before February 5, 2013. The Intervenor Parties retain the right to challenge the prudence of any costs incurred after and applicable to the period after February 5, 2013 that are submitted for recovery by the Company.

d The Intervenor Parties retain the right to challenge the prudence of any costs submitted for recovery by the Company.

e The Intervenor Parties retain the right to verify that the Company has complied with paragraph 5b of the Revised and Restated Settlement Agreement.

Note: Line 17 of this exhibit reflects the impact of the calculation presented on line 5 of exhibit 11.

Exhibit 10 "Other CWIP" Proejcts (Summary)
April 2015

Project Name	Apr-15
Retail PS&I Account 183 - Nuclear Fire Protection Act 805	13,192,286
CC Chiller Replacement	6,098,282
IT/Software	5,889,077
Hot Leg Alloy	5,822,241
RMA Replacements	5,564,764
Raw Water Pump	4,939,132
NFPA 805 Fire Protect.	2,601,986
Motor Rewind	1,838,707
Radio System	1,477,822
Water System Resin	1,403,019
Circ Water System	1,304,263
Retail PS&I Account 183 - CREC	797,633
Switchboard Relays	656,833
Turbine Controls	576,949
Reactor Cooling System	560,199
Feedwater Pump Filter	461,181
Security	423,852
CW Pipe Plugs	328,400
NSOC HVAC	321,144
Feed Pump Turbine Motors	315,056
Admin Trailer	304,066
Ultrasonic Flow Meter	294,315
Chemical Feeding System	282,707
Motor Control Switches	254,679
Retail PS&I Account 183 - Pipeline	243,386
Magnesium Motor Rotor	196,663
Turbine Building Circuits	146,110
LEFM Replacement	124,851
Seawater Pump Valve	122,252
Roof Handrails	79,078
Intake Canal	74,183
Volt Meters	69,144
Outage Storage Building	66,793
Retail PS&I Account 183 - Relay Single Phase Voltage Prot	51,288
Turbine Pipe Coating	46,204
Gas Monitors	43,990
Turbine Building Roof	43,409
Instrument Air Compressor	42,809
Snubber	33,807
Turbine Building Piping	29,436
Heat Exchangers	26,263
DC System Vent Valves	21,262
Cooling System Valves	21,093
Sump Pump	20,375
Metering	9,066
Media Scanning Kiosks	6,201
Inst Gen Monitoring @Nuclear	3,401
Air Handling Replacement	2,786
Walkway Covering	1,518
Remote Shutdown Monitor	(463)
Reactor ION Chamber	(49,170)
Nuclear outage reserve	(1,826,174)
Salvage	(2,144,585)
Total:	**53,213,568**

DUKE ENERGY®

Information Use

CRYSTAL RIVER UNIT 3

ADMINISTRATIVE PROCEDURE

AI-9010

Conduct of CR3 Investment Recovery

REVISION 1

TABLE OF CONTENTS

SECTION PAGE

ATTACHMENTS

1.0 PURPOSE

1. This procedure outlines the asset pricing requirements and minimum reviews and approvals required for the execution of transactions and the record keeping requirements necessary for the disposition of assets (materials and equipment) from Crystal River Unit 3 (CR3) during the Decommissioning Transition Organization (*DTO*) phase. Additionally, the disposition of CR3 new nuclear fuel (fabricated and at CR3) is governed by this procedure. Upstream supplies (Enriched Uranium Product and UF6 Converter material) will be governed by this procedure.

1.1 Scope

1. Transactions include, but are not limited to the following:
   - Transfer of assets to Duke affiliated companies (*both regulated and non-regulated*)
   - Sale of assets
   - Sale of assets as scrap
   - Donating assets to charitable organizations
   - Disposal of assets.
2. Transactions under this procedure must conform to all existing applicable company policies.
3. It is essential that asset divesture records of all transactions are documented and preserved.
4. In accordance with the governance, the review and approval of each asset disposition is documented on a form similar to Attachment 1, Asset Disposition Review.
5. This procedure does not cover Real Property.
6. All transactions will comply with tax regulations. Internal transfers within DEF, or to DEC, DEP, DEO, DEI, and DEK do not require a tax surcharge as these entities have a Direct Pay Permit. A copy of these Direct Pay Permits is on file with Supply Chain at Crystal River 3.

2.0 REFERENCES

1. ADM-SUBS-00106, Project Assurance Nuclear Cost Recovery Clause Library (NCRCL) Program Manual
2. AI-9003, System Evaluation, Categorization and Abandonment
3. CR3 Investment Recovery Project Execution Plan
4. MCP-NGGC-0001, NGG Contract Initiation, Development and Administration
5. RDC-0001, Records Management Program
6. SCD211, Affiliate Asset Transfer Transactions
7. Affiliate Asset Transfer e-form on the Duke Energy PORTAL
8. Delegation of Authority (DOA)
9. Code of Business Ethics
10. Records Management Policy
11. Sales/Use and Excise Tax Policy
12. Purchasing Authority Policy
13. PMC-PRC-NA-AD-0013, Project Assurance Program Manual

3.0 DEFINITIONS

1. **154 Inventory** – Material that is put into an inventory system (Passport, EMAX or Nuclear Asset Suite (NAS)) and whose dollars are captured in FERC account 0154 at time of receipt. As part of the CR3 Settlement Agreement, all previous account 0154 Inventory is now part of the Regulated Asset, though for simplicity these are referred to in this procedure as 0154 Inventory.
2. **AAT – Affiliate Asset Transfer** - Transferring material internally between regulated, non-regulated and non-utility affiliates subject to governance under various federal and state guidelines and is documented on the Affiliate Asset Transfer Electronic Form found on the PORTAL. Only Regulated assets are transferred in accordance with the Intercompany Affiliate Transfer Agreement. The Code of Conduct and other applicable rules and regulations dictate how assets move between Regulated and Non-regulated or Non-utility affiliates.

3.0 DEFINITIONS (continued)

3. **Assets** - Described in the following categories and sub-categories.

   a. **Inventory** – These include materials in the 154 Account.

   b. **Pre-Expensed O&M Material** - Material bought directly for O&M work and not put in Inventory. Disposition at cost following the Inventory disposition guidance in this document; however, the accounting treatment may be different.

   c. **Other** – These include other materials and equipment that are not in the 154 Inventory Account and are not pre-expensed O&M material.

      1) Training equipment, trailers, etc.

      2) **Purchased but not installed** capital equipment in the Construction Work In Progress (CWIP) 107 Account.

         - For example, the LP Rotor(s) for the EPU project
         - Typically, these assets have little value as they are without warranty, and without performance guarantees.
         - These assets may be disposed during the actual Decommissioning phase of the project.

      3) **Purchased and installed but never been put in-service** capital equipment in the CWIP 107 Account.

         - For example, the Steam Generators
         - Typically, these assets have little value as they are without warranty, and without performance guarantees.
         - These assets are normally disposed during the actual Decommissioning phase of the project.

      4) **Installed and in-service** capital equipment in the Electric Plant In Service (EPIS) 101 and 106 Accounts.

         - The 101 Account is final and the 106 Account represents equipment that has not been unitized.
         - Typically, these assets have little value as they are used, without warranty, and without performance guarantees.
         - These assets are normally disposed during the actual Decommissioning phase of the project.

4. **Asymmetrical Pricing** - A pricing rule established by FERC which states that the franchised utility must receive the higher of cost or market price for providing non-power goods or services to a nonutility / non-regulated utility affiliate, and must not pay more than market price for a non-power good or service received from a non-utility / non-regulated utility affiliate.

5. **AUP - Average Unit Price** - An inventory item's average unit cost. In the Nuclear Asset Suite system, this is referred to as CUP (Calculated Unit Price)

3.0 DEFINITIONS (continued)

6. **Capital Material** – Typically other material whose cost is captured in a capital project at time of purchase, or was 0154 inventory that has already been issued out to a capital project.
   - Some of this material can also be described as a Pre-Capitalized Asset, or material whose quantity is tracked in PassPort, and at the time of issue, no additional accounting entries are generated.
7. **Disposition** – The disposal of an asset through sale, transfer, or discarding.
8. **FMV – Fair Market Value** - The current price at which an asset can be bought or sold in the market.
9. **IATA - Intercompany Asset Transfer Agreement** - A document between Duke Energy's regulated, franchised affiliates (DEC, DEI, DEK, DEO-T&D, DEP & DEF) which has been approved or accepted on an interim basis by the state commissions.
10. **NBV – Net Book Value** – The capital asset original cost, estimated, if not known, less the amounts credited to accumulated depreciation with respect to such property.

4.0 RESPONSIBILITIES

1. **GM Decommissioning** or their designee is responsible for the approval of this procedure.
2. **Corporate Communications** is responsible for following the guidance in Attachment 4, Duke RFP Guidelines if an Affiliate Bid is Anticipated when applicable.
3. **CR3 Financial Services Manager** and **Director Florida Accounting** are responsible for ensuring the correct accounting is used for transactions and determining net book value.
4. **Director – Major Projects Finance** and the **Managing Director – Major Projects Supply Chain** are responsible for the content of this procedure.
5. **Crystal River 3 Supply Chain Management** is responsible for:
   - Communicating the requirements of this procedure to all persons involved in the Investment Recovery processes.
   - Maintaining adequate internal controls over the Investment Recovery process and utilizing effective contract management processes.

5.0 INSTRUCTIONS

5.1 Expectations

1. This procedure applies to the governance of the CR3 Investment Recovery (IR) processes used in Major Project's Supply Chain.
2. The CR3 Investment Recovery Project, Project Execution Plan is documented at: https://nuc.duke-energy.com/sites/CR3DDR. All levels of management in the CR3 organization and Major Projects Supply Chain should be briefed on these documents.
3. All disposition transactions shall be performed in a prudent manner.
4. Transactions, including related contracts or other legally binding agreements, must be approved by the appropriate authority prior to execution by Duke Energy.
5. Individual transactions cannot be separated into multiple transactions for the purpose of circumventing an individual's authorized approval limit. However, transactions may be evaluated for required authority limits individually where the transactions are discrete, separate and independent of each other. The Delegation of Authority amounts and Purchasing Authority amounts apply to each transaction.
6. All CR3 Inventory (154) spare part material is listed as "For Sale" in the power industry RAPID database (www.rapidpartsmart.com). This material can be sold for AUP/CUP to other utilities via this tool at any time. Once internal fleet transfers are complete, we may sell RAPID spare parts for less than AUP/CUP to other utilities or to affiliates (see exception in Step 9).
7. Under the IR Project, all Inventory (Account 154) assets will be disposed of in the following manner:
   a. Utilize Duke Energy internal Inventory transfers to the fleet per the Affiliate Asset Transfer e-form and process. This should follow an approach where multiple lines of CR3 inventory are matched to an affiliate and to a specific plant.
      - The one exception to using the Affiliate Asset Transfer e-form is transferring material from CR3 within Duke Energy Florida (DEF). In these cases, a Material Transfer or Material Request can be utilized within Passport to document this transfer.

   b. Account 154 Inventory is normally transferred among regulated affiliated utilities at AUP/CUP. However, asymmetrical pricing is generally used for non-regulated utility affiliates and non-utility affiliates.
      - There is an exception in which a transfer to a regulated affiliate can take place at less than AUP/CUP. (See Step 9 for that exception.)

5.1 Expectations (continued)

c. If not transferred internally, then segregate and bid out inventory or obtain price quotes from distributors, other utilities and/or Original Equipment Manufacturer's (OEM's), and/or re-sellers. Asset Recovery Supply Chain and/or Auction Companies can be utilized to sell material to distributors, OEM's, and re-sellers as well.

- This establishes the FMV of bulk inventory disposal and generally yields a higher value than salvage or scrap pricing.
- Obsolete inventory may be marketed at a target market directly or through third party vendors.

d. For remaining Inventory, utilize Asset Recovery Supply Chain or Auction Companies for disposition at salvage or scrap value. Note some inventory items (consumable materials, commodities, short lead time material, low value, etc.) may be salvaged or scrapped immediately.

8. Under the IR Project, all **Other** assets (non-inventory) will be dispositioned as identified below:

a. Generally, **Other** assets may be transferred among regulated affiliated utilities at NBV or at cost for pre-expensed O&M material if the regulated affiliates identify a need. However, asymmetrical pricing, for transfers, is used for non-regulated utility affiliates and non-utility affiliates when those entities identify a need. There is an exception in which a transfer to a regulated affiliate can take place at less than NBV. (See Step 9 for that exception.)

b. If not transferred internally, determine the FMV by obtaining price quotes, bids, or market intelligence as applicable and bid out. In some cases, Duke affiliates may want to bid and compete against the external market. These type of sales transactions must be conducted at arm's length to ensure the integrity of the process. Additionally, any Duke affiliate winning bid is subject to approval by State Commissions and perhaps by FERC via a waiver (FERC waiver/ approval required if the winning bid is a Duke non-utility affiliate or a Duke non-regulated utility affiliate), Attachment 4, Duke RFP Guidelines if an Affiliate Bid is Anticipated provides information to be followed in these cases.

1) The bidding process for the disposition of materials and equipment shall be conducted as follows:

a) The bidding process shall follow MCP-NGGC-0001.

b) The Power Advocate sourcing tool or similar should be used for all bid events, thereby maintaining consistency with all bid event sales and document retention.

c) The standard approved legal form contracts or those prepared by Duke Energy's Legal Department shall be used for all third party asset contract sales in accordance with MCP-NGGC-0001.

5.1 Expectations (continued)

c. For remaining **Other** material, utilize Asset Recovery Supply Chain or an Auction Company for disposition at salvage or scrap value.

9. There may be instances where NBV or AUP/CUP may be at a higher value than FMV, in these cases, Commission(s) approval will be required to transfer at less than NBV or AUP/CUP.

a. Internal transfers may not have a warranty or performance guarantee associated with the Other material and consideration should also be made for any removal and shipping costs. These costs or values should be considered when comparing NBV to FMV (of an equivalent asset) and can result in a win/win for Duke Energy Florida and the internal transferee regulated affiliate.

A hypothetical example could be that Equipment A at CR3 has a NBV of $15,000,000 dollars and a regulated affiliate needs this type of equipment; however, the current FMV from a manufacturer is $17,000,000 delivered. The regulated affiliate has to pay $1,000,000 in shipping costs from CR3, $5,000,000 to modify Equipment A for their use, and the warranty and performance guarantees are estimated to be worth $1,500,000; thus, the regulated affiliate doesn't want to pay any more than $9,500,000 for Equipment A from CR3. From the standpoint of CR3, current salvage value (current FMV in this hypothetical example) on Equipment A is $500,000; thus, both parties (CR3 and the other regulated affiliate) would both be potentially better off at a less than NBV and this transaction would require utility commission approval in both jurisdictions.

5.2 **Asset Pricing**

1. **Duke Energy Internal Transfers** - Assets are priced at either: Average Unit Price (AUP/CUP), Net Book Value (NBV), or Fair Market Value (FMV) and transferred internally via the AAT form for those assets under $10,000,000 dollars as per the AAT process.

- The pricing used is dependent, in part, on whether the disposition is to a Duke Regulated Affiliate or not. Pricing governance is contained in Attachment 3, Investment Recovery Asset Pricing Governance (subject to the exception described in Section 5.1, Step 9).

2. **Sales Disposition** – Assets are priced at FMV and sold via a quote or bid process.

5.3 Disposition Transaction Review and Approvals

1. **Duke Energy Internal Asset Transfers** – An AAT e-form will be completed for Duke internal asset transfers and this e-form requires the appropriate DOA (sufficient approval authority in accordance with Purchasing Authority Policy) for transfer request and transfer sending. The AAT e-form has its own set of approvals. Note that an AAT e-form and Attachment 1, Asset Disposition Review are not required for internal DEF transfers, these are documented in Passport per the Material Transfer process and must be transferred at cost (AUP/CUP or NBV).

   a. Prior to any Duke Energy internal transfer approval, the IR Project Manager, Supply Chain Management, Engineering Manager, Director Florida Accounting, and the CR3 Finance Manager shall sign off as reviewers on Attachment 1, Asset Disposition Review - see further clarifications below.

      - The review is required by the CR3 Finance manager if the internal transfer is over $100,000 and the Director Florida Accounting is required to review if the internal transfer is greater than $250,000. The Tax Manager will sign off if the internal transfer is not within DEF, or to DEC, DEP, DEO, DEI or DEK.

   b. If the Asset value is over $1,000,000, then the following approvals (not DOA specific) shall be required and delineated on Attachment 1, Asset Disposition Review:

      - GM Decommissioning or designee
      - Rates and Regulatory Strategy Director or designee
      - Florida Regulatory Legal Associate General Counsel or designee.

   c. If any asset is to be transferred internally and the facts demonstrate that AUP/CUP or NBV is greater than FMV, then State Commission(s) approval would be required to transfer at a lower value than NBV and perhaps FERC approval as well.

   d. Review and Approval documents, including the AAT e-form, shall be filed and maintained by Configuration Control.

5.3 Disposition Transaction Review and Approvals (continued)

2. **Sales Disposition** –Sales disposal should be based on FMV as determined via quotes, bids or market intelligence.

   a. Prior to any Duke Energy sale the following shall sign off as reviewers on Attachment 1, Asset Disposition Review:

      - IR Project Manager
      - Supply Chain Management
      - Engineering Manager
      - Tax Manager
      - CR3 Finance Manager [1)]
      - Director Florida Accounting [1)]

      1) The review is required by the CR3 Finance manager if the internal transfer is over $100,000 and the Director Florida Accounting is required to review if the internal transfer is greater than $250,000.

   b. Approvals will follow the business unit DOA and Supply Chain Purchasing Authority.

   c. If the Asset value is over $1,000,000 dollars, then the following approvals (not DOA specific) shall be required and delineated on Attachment 1, Asset Disposition Review:

      - GM Decommissioning or designee
      - Rates and Regulatory Strategy Director or designee
      - Florida Regulatory Legal Associate General Counsel or designee

   d. In some cases, Duke affiliates may want to bid and compete against the external market during a sales event. These type of sales transactions must be conducted at arm's length to ensure the integrity of the process. Additionally, any Duke affiliate winning bid is subject to approval by State Commissions and perhaps by FERC via a waiver (FERC waiver/ approval required if the winning bid is a Duke non-utility affiliate or a Duke non-regulated utility affiliate), Attachment 4, Duke RFP Guidelines if an Affiliate Bid is Anticipated provides information to be followed in these cases. Where a bid event is conducted and another Duke Energy entity is the winning bidder, then the hardcopy contract document signatures will satisfy the internal DOA requirements.

5.4 Project Assurance

1. All decisions involving asset disposition shall be made and, where practical and appropriate, documented in such a manner as to demonstrate that each decision is reasonable and prudent based upon the information reasonably available to the Company at the time the decision was made.
2. Documentation of this decision making process will be prepared to justify to the Company's regulators that best effort towards investment recovery has been made.
3. The CR3 IR Project maintains applicable project documentation in accordance with the Records Management Program. Identification and handling of Quality Assurance records shall be performed using the Investment Recovery Project Assurance Plan and RDC-0001, CR3 Records Management Program.

5.5 Removal of Installed Assets

1. The removal of installed assets must be performed in a manner that maintains configuration control and supports relied upon system functionality, as established by the system abandonment process (AI-9003) and schedule.
2. To ensure compliance with the system abandonment process, each installed asset requested shall be evaluated and approved by plant management.
    a. Approval is documented on a form similar to Attachment 2, Installed Plant Equipment Removal Agreement.

6.0 RECORDS

1. The following documents are records when completed. Submit to Site or Corporate Configuration Control and Information Services personnel for processing and storage in accordance with RDC-0001, Records Management Program or ADM-SUBS-00106, Project Assurance Nuclear Cost Recovery Clause Library (NCRCL) Program Manual:
    - Attachment 1, Asset Disposition Review
    - Attachment 2, Installed Plant Equipment Removal Agreement
    - Review and Approval documents including AAT e-form

Asset Disposition Review

Buyer Info

Date: _____ Sold by: _____ _____
Name Phone

Affiliate Asset Transfer (AAT)? ☐ Yes ☐ No AAT e-Form #: _____

Purchasing Entity (buyer): _____
Company or Duke Operating Unit

Asset for Disposition

Description*:

Asset Offered Internally? ☐ Yes ☐ No (If No, Provide Justification*)

**Attach additional pages as necessary*

Asset Disposition Accounting

Pricing:

Asset Value: ☐ NBV $_____ ☐ AUP/CUP $_____

Asset Sales Price: $_____ Shipping & Handling $_____ Sales Quantity $_____

Sales Tax $_____ **OR** Non-Taxable Code _____
(External sales only) (See examples and note below)

Cost to Remove (if applicable): $_____ Total Cost to Buyer: $_____

Accounting (check one):

☐ Inventory Account 154 ☐ CWIP Account 107 EPU ☐ CWIP Account 107 POD
☐ CWIP Account 107 SGR ☐ CWIP Account 107
☐ EPIS Account 101 ☐ EPIS Account 106 Other (specify) _____

Accounting WBS: _____ _____ _____ _____
Resp Ctr Project Activity Resource

Note: If non-taxable, a code should be entered indicating the reason and supporting documentation should be attached or available.

Examples of Non-Taxable Codes

- NT/EC - NT Exemption Certificate
- NT/DP – NT Direct Pay Permit
- NT/IC – NT Intercompany Transfer
- NT/OS – NT Out-Of-State Transaction

Asset Disposition Review (continued)

Disposition Review and Approval

Asset Reviews:

Asset not required in support of CR3: _____ / _____
CR3 Engineering Mgr Date

_____ /
Tax Mgr Date
(Not required for internal transfers within DEF, or to DEC, DEP, DEO, DEI, and DEK)

_____ / _____ /
CR3 Financial Services Mgr Date
If Asset value is ≥ $100,000.00

Director Florida Accounting Date
If Asset Value is ≥ $250,000.00

_____ /
Supply Chain Mgmt Date

IR Project Review:

_____ /
CR3 IR Project Mgr Date

Asset Approvals:

_____ / _____ /
GM Decommissioning Date
If Asset Value is ≥ $1,000,000.00

FL Assoc Gen'l Counsel II Date
If Asset Value is ≥ $1,000,000.00

_____ /
Rates & Reg Strategy-FL Date
If Asset Value is ≥ $1,000,000.00

ATTACHMENT 2
Sheet 1 of 2

Installed Plant Equipment Removal Agreement

Request

Date: _____ Prepared by: _____ _____
Name Phone

Affiliate Asset Transfer (AAT)? ☐ Yes ☐ No AAT e-Form #: _____

AAT Requestor Charge Number: _____

Requesting Entity (buyer): _____
Company or Duke Operating Unit

Requestor Contact:_____ _____
Name Phone

Component Requested

System Abandoned? ☐ Yes ☐ No

Description*: (include boundaries as applicable and why feasible to remove)

Unique Risk Exposure to Removal*:

Estimated Removal Timeframe: _____ _____
Start Finish

**Attach additional pages as necessary*

Installed Plant Equipment Removal Agreement (continued)

Estimated Cost

Man-hours

Engineering _____ Operations _____ Health Physics _____

Craft _____ Planning _____ Oversight _____

Other (specify)_____

Total Labor Cost: $_____

Other

Dose _____ mRem Shipping & Handling $ _____ Other (specify) _____

Component Cost: ☐ NBV $_____ ☐ AUP/CUP $_____ ☐ FMV $_____

Total Cost Buyer: $_____

Agreement to Remove
(Record name of individual contacted and date)

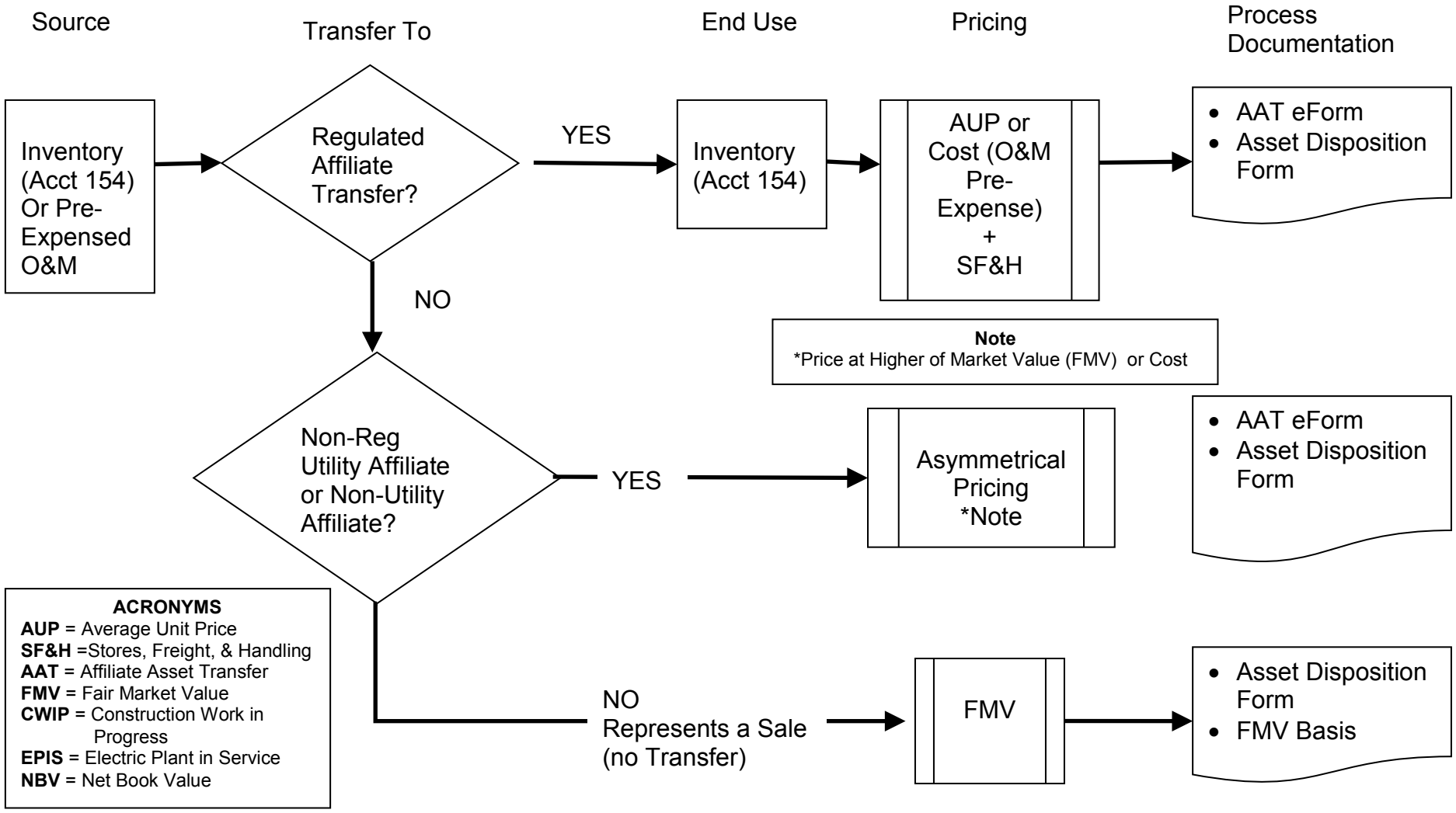
Receipt/Need by Date: _____

_____/_____ _____/_____
CR3 Engineering Manager Date CR3 Operations Manager Date

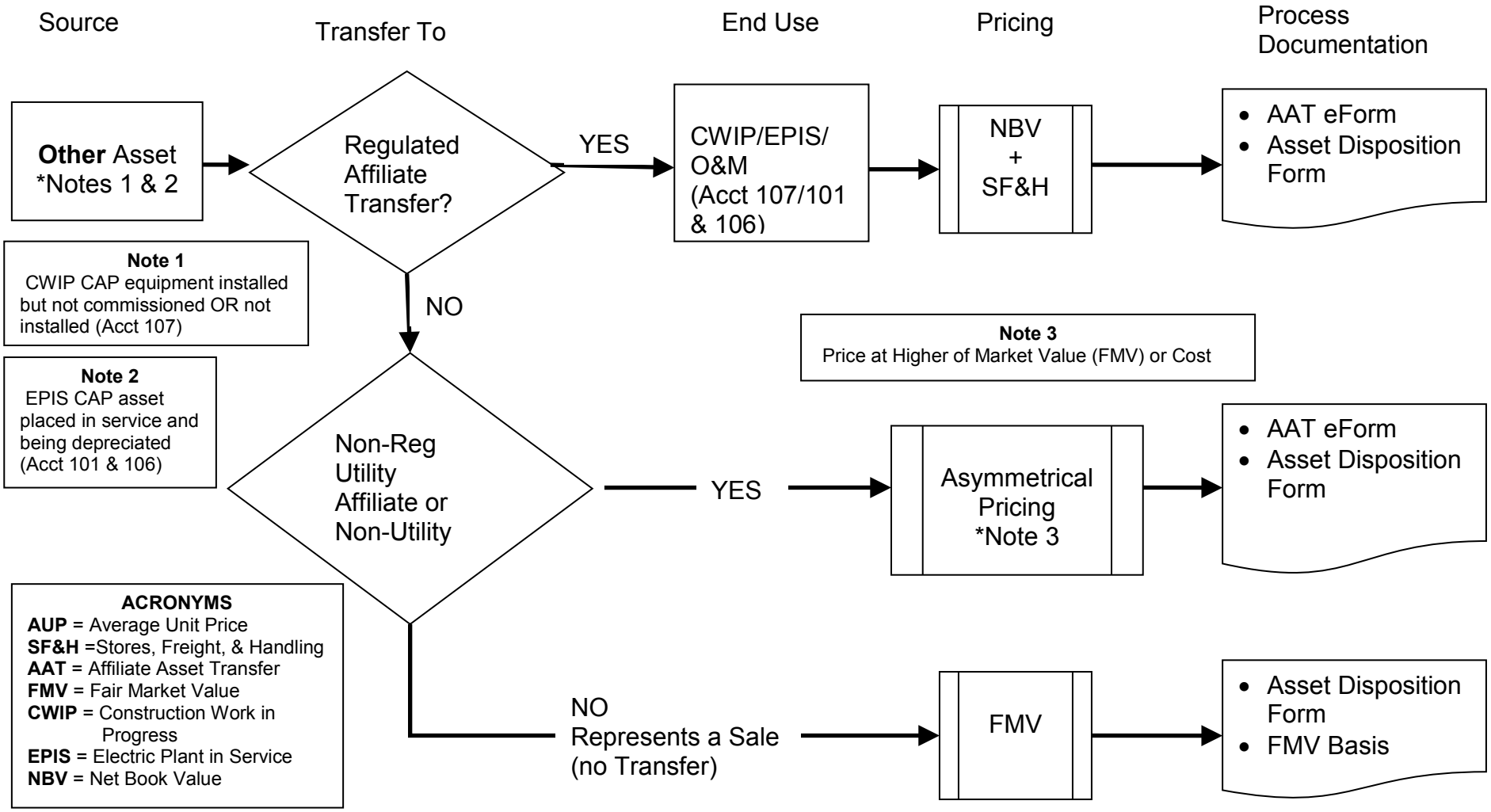
_____/_____ _____/_____
CR3 Maintenance Manager Date CR3 Plant Manager Date

_____/_____
CR3 GM Decommissioning Date

Investment Recovery Asset Pricing Governance



Investment Recovery Asset Pricing Governance (continued)



September 20, 2007

Duke RFP Guidelines if an Affiliate Bid is Anticipated

The fundamental objective of the guidelines is to assure that an affiliate will have *no undue advantage over non-affiliates* in an RFP issued by a regulated entity. These guidelines do not apply if no affiliate is bidding or as soon as there are no affiliates in contention.[1]

FERC has ruled that compliance with the guidelines is not mandatory, but has said that compliance will greatly increase the likelihood of FERC approval of an affiliate transaction without a lengthy and expensive hearing. These guidelines were established by FERC in the *Edgar, Allegheny, and Ameren* cases.

Legal should be consulted prior to the design of the RFP when the RFP issuer wishes to allow or anticipates affiliate bids. These guidelines apply to both asset transfers and power purchase agreements.

Standards of Conduct and Code of Conduct apply whether or not an affiliate is bidding.

FOUR PRINCIPLES

1. TRANSPARENCY

- No bidder should have an informational advantage.
- Simultaneously release information to all bidders.
- Allow all interested parties to bid instead of sending invitations to specific bidders.
- Widely publicize the RFP (e.g., post RFP on web site and issue a press release).
- All communications between Duke (or an independent third party on behalf of Duke) and any bidder should be made available to all other bidders (e.g., receiving questions and posting answers on web site).
- Negotiation after a short list has been compiled or a winner has been selected is acceptable. If an affiliate is involved, an independent third party should participate in the negotiation on behalf of the issuer.
- Generally, a Duke shared support group which provides information or services to the issuer in connection with the RFP should not also provide information or services to the affiliate bidder in connection with the RFP unless such information is provided simultaneously to all bidders. Seek a legal opinion under the specific facts if this situation arises.

[1] In Ohio, CAM is an affiliate of DE Ohio Retail for Ohio Code of Conduct purposes and should be treated as an affiliate for the purpose of these guidelines.

2. DEFINITION

- RFP should reflect clear and nondiscriminatory definition of products sought including all relevant aspects.
- Capacity and term desired should be stated along with other relevant characteristics which usually will include fuel type, plant technology, and transmission requirements for example.
- If there are changes in the product specification, re-bids should be allowed.
- The RFP should not define products in a way that favors affiliates.

3. EVALUATION

- RFP should clearly specify evaluation criteria.
- Price criteria should specify the relative importance of each item.
- Non-price criteria should specify the relative importance of items (e.g., firm transmission reservation requirements, acceptable delivery points, credit evaluation, plant technology, plant performance requirements, and plant in-service date).

4. OVERSIGHT

- Use an independent third party ("ITP") in the design, administration, and evaluation stages.
- ITP should have no financial interest in any of the bidders or in the outcome.
- ITP should not own or operate facilities that participate in the market affected by the RFP.
- ITP should be able to make a determination that the RFP process is transparent and fair and that the issuer's decision is not influenced by any affiliate relationships.
- ITP should be the sole link for transmitting information between issuer and bidders throughout the RFP process.
- ITP should be able to assess all bids based on both price and non-price factors. ITP should have access to the same information that the issuer uses in evaluation.

If any questions arise, you can consult FERC Legal at 980-373-6609.

SUMMARY OF CHANGES
PRR 670281

SECTION/STEP	CHANGE
1.0.1, 1.1.5	Allows AI-9010 to be the governing document for CR3 New Fuel sales (*76 new fuel assemblies at CR3*) and upstream uranium sales (*enriched and converted*). "Nuclear Fuel" deleted from Step 1.1.5.
1.1.1, 5.1.8.b, 5.3.2.d, Att 4	Allows other Duke entities to compete in the open market for any CR3 sales – this can be used for the LP Rotors for example and identifies additional commission/ FERC approvals / waivers that may be needed in case Duke is the winning bidder for any of these type events.
3.0.1	Added clarification to the definition of 0154 Inventory
3.0.10	Refined the definition of Net Book Value in accordance with FERC description.
4.0.2, 4.0.3	Added additional responsibilities for Corporate Communications, CR3 Financial Services Manager, and Director Florida Accounting.
5.1.6	Added new step to describe the RAPID database.
5.1.7, 5.1.9	Added new Step 9 and references to it to describe instances where NBV or AUP/CUP may be at a higher value than FMV.
5.1.7.c	Added Auction Companies to the statement and extended sales audience
5.1.7.d	Added Auction Companies to the statement & added scrapped
5.1.8.b.1.c	Added Duke Energy's Legal Department could provide an approved legal form
5.1.8.c	Added Auction Company
5.1.9.a	Added "current" to clarify FMV where applicable
5.2.1	Clarified that the AAT form is for those Assets less than $10,000,000 dollars
5.3.1, 5.3.2, Att 1	Added Supply Chain Management as an approval authority for internal transfers.
Various	Changed title from FL Reg and Property Accounting Mgr to Director Florida Accounting. Replaced Asset Transaction Price with Asset Value to align terminology.
5.3.2.d	Added and clarified that hardcopy Contract signatures can satisfy DOA requirements
4.0.1	Replaced VP Project Management & Construction with GM Decommissioning or their designee
5.3.1.b	Replaced VP Project Management & Construction with GM Decommissioning
5.3.2.c	Replaced VP Project Management & Construction with GM Decommissioning
Attachment #1, Page 2 of 2	Replaced VP-PMC with GM Decommissioning
Attachment #2, Page 2 of 2	Removed Director and added GM

CR3 Investment Recovery Project (IRP) Project Execution Plan

Rev 0

Project Management and Construction Department

Duke Energy

Please Note: This document contains confidential information and is subject to Duke Energy's Code of Business Ethics Policy. Please limit distribution accordingly.

Approval

Revision Summary				
Rev. Number	**Effective Date**	**Prepared By**	**Approved By**	**Approved By**
0	2/25/14	Jeff LaPratt	Magdy Bishara	Terry Hobbs

Table of Contents

Appendices **Page**

PROJECT SPONSORS

Role, Department / Group	Name	Phone No.
GM – Decommissioning	T. Hobbs	[redacted]

KEY PROJECT STAKEHOLDERS

Role, Department / Group	Name	Phone No.
VP-PMC	Mike Delowery (acting)	[redacted]
State Reg General Council	John Burnett	[redacted]
State President – FL	Alex Glen	[redacted]
VP-Chief Procurement Officer	Ron Reising	[redacted]
MGR EGR-DTO	Emin Ortalan (acting)	[redacted]

PROJECT MANAGEMENT CONTACTS

Role, Department / Group	Name	Phone No.
PM - PMC	Jeff LaPratt	[redacted]
SC Lead	Chris Hendricks	[redacted]
MGR – Major Projects	Magdy Bishara	[redacted]

*The location of the Expanded Contact list is included in the Appendix.

PLAN REVISION CONTROL

Rev No.	Primary Author(s)	Revision Description	Rev Date
0	Project Manager	Initial Issue	02/25/14

1.0 INTRODUCTION & PROJECT DESCRIPTION

[NOTE: This is classified as a White project per PMCoE standards. Deviations from the standard PMC Project Execution Plan (PEP) template are highlighted in bracketed notes similar to this one. These deviations are deemed acceptable by approval of this PEP.]

This document presents the Project Execution Plan for the CR3 Investment Recovery Project (hereinafter "IRP" or "Project").

Name of Station	Location	Project	Completion Date
CR3 Nuclear Plant	Crystal River, Florida	Investment Recovery	April 30, 2015

Project Description

In accordance with the August 1, 2013 Settlement Agreement (Doc No. 04433-13, Docket No. 130208-EI) with the Florida Public Service Commission (FPSC) Duke Energy is committed to using reasonable and prudent efforts to sell or otherwise salvage assets that would otherwise be included in the CR3 Regulatory Asset.

This project will develop and implement a program under which saleable CR3 plant assets are identified, maintained, marketed, sold, and removed from the site.

2.0 PROJECT OBJECTIVES & APPROVALS

The primary objective of this plan is to deliver the Project scope of maximizing return to customers and shareholders on CR3 assets through asset identification, redeployment, and disposition. The scope is to be delivered with quality, on budget, on time, and in a safe environmentally sound and prudent manner.

This project is undertaken with the following secondary objectives:

- Minimize cost and impact to CR3 decommissioning activities and trust fund, customers and shareholders.
- Identify preservation needs to avoid premature obsolescence of otherwise marketable assets.
- Coordinate with the Decommissioning Project to avoid conflicts.
- Ensure asset removal activities are performed event free.
- Ensure all decisions are made in a prudent manner and thoroughly documented.
- Ensure all sales/affiliate asset transfers are properly classified for proper accounting treatment.
- Comply with all applicable laws, rules, regulations and ordinances.
- Minimize risk associated with the re-sale and subsequent use or disposal of project assets.

Total Authorized, Current Projections

Table 1: Key Project Objectives	
Scope	Reduce the CR3 Reg Asset through the disposition of assets in the following categories: • Inventory (FERC 154 Account) • Construction Work in Progress (CWIP) • Electric Plant In-service (EPIS)
Total Project Cost	$3,408,104
Schedule [Project Completion Date]	April 30, 2015
Quality [Performance Objective]	Obtain prudence determination on all asset dispositions or transfers as appropriate

Internal Project Approvals

The IRP is a White, non-construction project that doesn't fit the traditional PMC construction stage-gate process. Per PMCoE standard PJM-00001-POLICY, *Achieving Excellence in Project Management*, for white projects, compliance with PMCoE Standards is at department discretion; therefore, elements of this PEP and approvals are tailored specifically for this project.

Duke Energy, and CR3 by extension, committed to performing the IRP as part of the August 1, 2013 Settlement Agreement with the FPSC, and acts as the authorization to implement this Project. Duke Energy Finance, Legal, and Regulatory Rates & Strategies have determined that because disposition proceeds go to reduce the Regulatory Asset (Reg Asset), that costs associated with the disposition shall be added to the Reg Asset for a net reduction. As such, no traditional funding approvals are necessary (e.g.; 201, WPCO). The Project Sponsor acknowledges estimated costs contained in the Project Charter. In no case is it prudent for costs to exceed disposition proceeds; the Project monitors these and will initiate discussion on project continuance should costs approach disposition proceeds.

PMC management has determined that the following project elements be developed and maintained for the Project:

- Project Charter
- Class 3 (or better) estimate
- Baseline Schedule
- Risk Assessment and Analysis
- PEP

The approval of this PEP recognizes the above positions in addition to project approach.

3.0 IRP SCOPE BASELINE

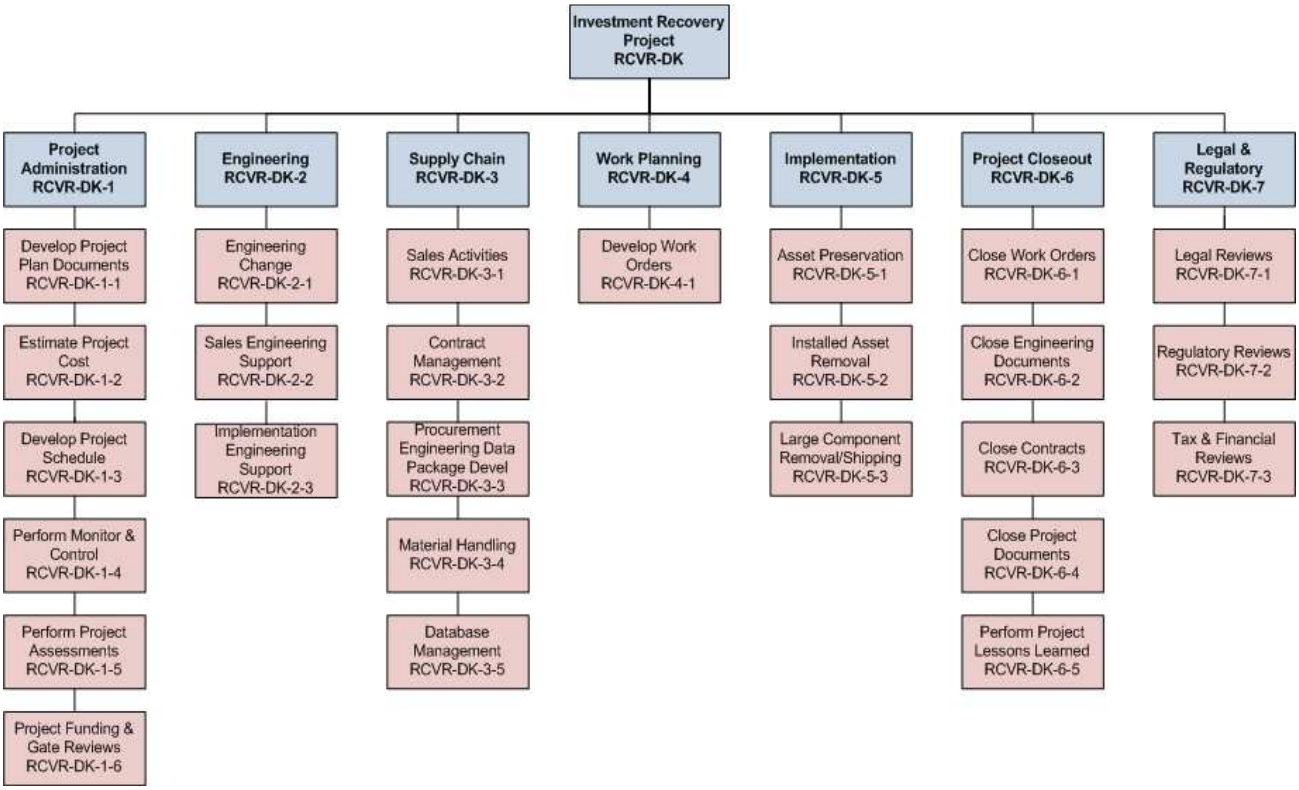
The CR3 Investment Recovery Project consists of the following scope:

- Inventory and catalogue saleable assets.
- The financial analysis to determine asset value.
- The engineering, procurement, and construction activities necessary to preserve saleable assets.
- Sales and marketing activities, including the establishment of strategic partnerships.
- Contract development and execution for necessary engineering, procurement, maintenance/preservation, asset removal and shipment, and warranty.
- Limited to the following plant equipment assets:
    - Warehouse inventory (FERC Account 154)
    - Construction Work in Progress (CWIP) (FERC Account 107); which is further subdivided into:
        - EPU
        - EPU Point of Discharge (POD) helper cooling towers
        - SGR
        - Other
    - Electric Plant In-Service (EPIS) (FERC Accounts 101 and 106)
- The scope specifically excludes nuclear fuel and real property.

The level 1 Scope of Work (SOW) for the Project is broken into a PMC WBS package. The work scope in the WBS includes activities necessary to plan, organize, integrate, budget, measure, and control performance. These activities ensure that the Project accomplishes the mission on schedule in a safe, prudent, and cost-effective manner.

WORK BREAKDOWN STRUCTURE

The WBS is used to organize and integrate the Project Scope Baseline. Figure 1 shows the top levels of the Project.



4.0 SCHEDULE BASELINE

The Project Baseline Schedule approval form is provided in Appendix F. The Project Controls Manager is responsible for establishing and documenting the schedule Baseline process and to assist the Project Manager in setting up the Schedule Management system for the Project.

The following major milestones are contained in the schedule:

Milestone	Baseline	Forecast Date	Actual Date	Critical Path
Initial funding milestone with Project Charter	Jul 13	Jul 13	Jul 13	N
Develop Project Scope and Level 1 Schedule	Jul 13	Jul 13	Jul 13	N
Build Team and Processes	Aug 13	Aug 13	Aug 13	N
Begin Investment Recovery	Aug 13	Aug 13	Aug 13	N
Approve Governance	Oct-13	Oct-13	Oct-13	N
Commence Market of CWIP Large Components (internal)	Oct-13	Oct-13	Oct-13	N
Develop Duke Inventory Match Lists	Nov-13	Nov-13	Nov-13	N
Commence Market of CWIP Large Components (external)	Nov-13	Nov-13	Nov-13	N
Commence Market of EPIS Components (external)	Nov-13	Nov-13	Nov-13	N
Commence Tranche 6 Disposition	Jan-14	Jan-14	Jan-14	N
Commence Tranche 1 Disposition	Feb-26	Feb-26		N
Nuclear Fleet Review Completed – Commence Pull & Ship	Mar-14	Mar-14		N
Commence Tranche 2 Disposition	Apr-14	Apr-14		N
Complete Market of CWIP Large Components (internal)	Apr-14	Apr-14		N
Complete Tranche 1 Disposition	Apr-14	Apr-14		N
Fossil Fleet Review Completed – Commence Pull & Ship	Apr-14	Apr-14		N
Commence Tranche 3 Disposition	May-14	May-14		N
Complete Tranche 2 Disposition	May-14	May-14		N
Complete Market of EPIS Components (external)	Jun-14	Jun-14		N
Commence Tranche 4 Disposition	Jul-14	Jul-14		N
Complete Tranche 3 Disposition	Jul-14	Jul-14		N
Commence Tranche 5 Disposition	Aug-14	Aug-14		N
Complete Tranche 4 Disposition	Aug-14	Aug-14		N
Complete Market of CWIP Large Components (external)	Aug-14	Aug-14		N
Complete Tranche 5 Disposition	Sep-14	Sep-14		N
Complete Tranche 6 Disposition	Sep-14	Sep-14		N
Cleanup & Project Closeout Complete	Apr-15	Apr-15		N
Complete Investment Recovery	Apr-15	Apr-15		N

5.0 COST BASELINE

Upon approval of the Initiate Gate Package by Duke Energy Management, the Project Cost Baseline will be established and documented through the Cost Baseline approval process. The Initiate Gate approved estimate will be used as the basis of the Cost Baseline. The Project Controls Lead is responsible for establishing and documenting the Cost Baseline process and assisting the Project Manager to set up the Cost Management System for the Project.

The Project Cost Breakdown Structure (CBS) is as follows:

Project Level 2 Number	Oracle Level 1 Task	Level 1 Task Description	Oracle Level 2 Task	Level 2 Task Description	Passport WO #
20104219	1000	Project Management	1001	Project Management	1868133-13
			1002	Contracts	1868133-13
			1003	Materials/Other	1868133-13
			1004	Project Management Other	1868133-13
	2000	Sales	2001	Sales Labor	1868133-14
			2002	Sales Material Handling	1868133-15
			2003	Sales Contracts	1868133-14
	3000	Removal Costs	3001	Removal Costs - LPT	1868133-15
			3002	Removal Costs - POD	1868133-15
			3003	Removal Costs - CWP	1868133-15
			3004	Removal Costs - EPU Preservation	1868133-15
			3005	Removal Costs - POD Preservation	1868133-15
			3006	Removal Costs - Other Preservation	1868133-15
			3999	Removal Costs - Non-reimbursable	1868133-15

The Project Cost Baseline and subsequent performance reporting to key stakeholders and sponsors will be made in the Financial View. The Project does not receive any AFUDC charges and none will be reported.

TOTAL PROJECT COST BASELINE & ESTIMATE AT COMPLETION (EAC) FORECAST

The Total Project Cost Baseline will include PMC and other entities baselines.

Total Project Cost Baseline [Financial View]

Cost Baseline	Expected	Range
PMC	$3,408,104	$3,067,294 - $4,089,725 (Min – Max)
Other Entities	$0.0	$0.0
Total Project	$3,408,104	$3,067,294 - $4,089,725 (Min – Max)

Total Project Cost History [As Approved by Project Charter]

Charter Revision	Expected	Range	Approval Date
Rev 0 (initial)	$1,500,000	$1,500,000	07/16/13
Rev 1/EAC	$3,408,104	$3,067,294 - $4,089,725 (Min – Max)	02/20/14

6.0 IRP ORGANIZATION

See Appendix A for IRP Organization Chart

DUTIES AND RESPONSIBILITIES FOR EACH PROJECT MEMBER/ORGANIZATION

Project Sponsor
The Project Sponsor is an executive level manager who functions as the primary customer of the Project team. The success of the Project is determined by the satisfaction of the Sponsor. The Project Sponsor for this project is the GM Decommissioning.

Project Manager (PM)
The PM has the overall authority and responsibility for execution of the Project in order to achieve all work safely, within budget, and on schedule. The work must be completed in compliance with all required local, state, and federal laws and regulations. The PM is responsible for planning, executing, controlling, and closing the Project. This is largely accomplished by coordinating the efforts of the Project team to develop and implement the Project Execution Plan and by taking corrective action when Project objectives are in jeopardy. The PM reports to the Manager of Nuclear Projects.

Specific responsibilities of the PM include:

- Preparation of the Project Execution Plan
- Directing and managing the Project team for the execution of the Project

- Organizing and leading the Monthly Executive Meeting of the Project
- Managing the interfaces between stakeholders and within the Project team
- Manage and develop project team organization
- Identify and obtain resources to ensure project success (either matrix or directly assigned)
- Responsible for resolution of critical issues/opportunities
- Provide direction to project team leaders to promote project success, continuity, and consistency
- Monitor and report project performance and initiate any needed corrective action to keep the project on track
- Primary interface with CR3 Decommissioning Management. Includes providing status updates and resolving critical issues/opportunities needing management awareness or involvement
- Primary interface with the PMC Leadership Team. Includes providing status updates and resolving critical issues/opportunities needing senior management awareness or involvement
- Reviews and assesses overall schedule for achievability of critical milestones and adequacy of contingency plans

Supply Chain Functions

The Supply Chain (SC) Organization is the primary resource for IRP asset dispositions and is the largest contributor to the Project. The SC roles in the IRP are:

Supply Chain IRP Lead

The IRP Supply Chain Lead has overall supervisory responsibility for the IRP sales organization. The IRP Sales Lead and direct reports in **Contracts** and **Sales**, have responsibility for the following:

- Compile a list of site assets, inventory, and other items of value that will be redeployed, sold or scrapped.
- Provide a level of oversight for on-site asset recovery dispositions.
- Manage the population of the Investment Recovery Database.
- Identify potential buyers and determine sale/marketing plan for various assets.
- Develop / coordinate the contract bid, evaluation and execution process for assets that will be sent out for bid.
- Provide technical input on requested assets as required by potential customers.
- Qualify bidders to assure credit worthiness, or advance payment where credit worthiness is in doubt.
- Provide technical input and manage the results / inquiries from Recovery Seeker

- Assure that a signed contract is in hand, based on standard forms approved by the Legal department, or an alternate form approved by the Legal Department before releasing the project asset to the buyer.
- For international sales (direct or indirect), assure that all regulatory approvals are obtained before releasing the project asset to the buyer.
- Complete Affiliate Asset Transfer Forms for all assets transferred to other Duke Energy affiliates.
- Work with Field Organizations/Contractors for the coordination to release assets from the site.
- Package and ship smaller assets to successful purchasers.
- Manage the retrieval of documentation and generation of Certificates of Conformance required for the sale of safety related assets.
- Coordinate assets that will be dispositioned by the Corp Asset Group
- Manage and Monitor invoicing and outstanding receivables.

Major Projects Materials Lead

- Coordinates accounting and control of CWIP materials.
- Supports removal and shipping of CWIP materials.

Supply Chain Support – Asset Recovery

- Primary interface for salvage of equipment.
- Supports asset disposition through their known channels.

Financial Analyst

- Provide leadership and management of finance.
- Track costs and value of divested materials.
- Ensures proper accounting of monies received from assets divested.
- Provides NBV and other cost information.

Legal / Regulatory / Tax Support

- Contract form development and negotiation support.
- Provide legal interpretation/guidance on contractual issues.
- Assist in contract dispute resolution, as necessary.
- Support the Affiliate Asset Transfer process.
- Provide support to ensure that the project remains within governance and demonstrates prudency.
- Supply advice and assistance on export control regulations.

- Provide guidance on tax issues.

Engineering

- On an as-needed basis, provides support for the removal of major assets.
- Provides technical information on assets.

Major Projects Implementation

- Provide leadership and management of large or complex asset removal tasks.
- Assist the Task Managers in monitoring contractor's work planning and execution for removal tasks
- Work with the Task Managers to resolve any work practices considered significantly inefficient, ineffective or unsafe.
- Performs necessary inspections of the Contractor's work to assure compliance with QA/QC policies and procedures.
- Identifies any deficiencies and works with the appropriate Task Managers to have these resolved by the Contractor.
- Assure that the Contractor assigns sufficient qualified workers to meet planned performance.
- Assist the Task Managers with monitoring corrective and preventive actions taken on incident investigations and non-conformances (NCRs).
- Report any barriers to the Task Managers to achieving key milestones and/or any recovery plans in place to mitigate barriers.
- Interface with the appropriate Task Managers to address any potential scope or technical issue.
- Participate in the oversight of the Contractor's implementation of their site-specific safety and environmental programs.
- Coordinate and oversee the Contractor's implementation of Duke Energy's lifting and rigging program.

Project Controls (PC) Supv / Principal PC Specialist / Scheduler

- Review schedule updates for accuracy, reasonableness and impacts.
- Interface with Station scheduling regarding tie-ins and resource requirements.
- Prepare schedule update summaries (e.g., Key Milestones, Critical Path and Look Ahead, etc.) as requested by the IRP PM.
- Evaluate schedule variance corrective actions for appropriateness and reasonableness and provide results to the Project Manager and other appropriate Project team members.
- Evaluate forecasts regarding accuracy, appropriateness and reasonableness of schedule logic, durations and resources for remaining activities.

- Develop and maintain project cost estimate/cash flow forecast, analyze trends and provide current information to the PM, other appropriate Project team members and appropriate Project and Department Management.
- Review Monthly Work-Hour and Cost Transaction Reports for appropriateness and reasonableness of labor, materials and subcontract charges made to the project, including where charges may not be covered or where they exceed the Project Funding Authorization. Follow up with appropriate personnel regarding any inappropriate and/or unreasonable charges.
- Maintain Change Management System for identified changes in project cost, schedule, and cash flow. This includes Change Orders for work scopes. Develop cost / schedule forecast for identified scope changes.
- Support annual Corporate Budgeting process and provide monthly cash flow projections.
- Provide schedule updates for Duke Energy's subproject within the integrated project schedule.
- Incorporate contractual and key stakeholder activities into overall project schedule.
- Provide project reports to Project Leadership Team on overall Project performance and forecasts compared to key milestones, Project funding, and annual budgets.

Project Assurance Advisor

The Project Assurance Advisor provides support to the Project through education and awareness of Company policy. The Advisor ensures that all material decisions involving expenditures for which cost recovery is sought are made and documented in a manner that will allow Duke Energy to achieve full and fair recovery through the regulatory process. They execute duties specific to the Project include: developing and delivering education and awareness programs to Project personnel and ensuring that documentation of Project decisions is adequate to explain the basis for the decision, and reasonableness thereto. They also develop the Project Assurance Plan for the Project.

RACI CHART FOR PROJECT ORGANIZATION

A Responsible, Accountable, Consult, Inform (RACI) chart that further clarifies organizational responsibilities by activity is provided in Appendix B.

7.0 DISPOSITION STRATEGY & MANAGEMENT

[NOTE: Section titled changed from Procurement Strategy to Disposition Strategy due to the unique nature of the Project]

Strategic Approach and Rational

The Project will disposition assets in a manner that maximizes the reduction of the Regulatory Asset. The methodology employs a systematic, sequential approach as illustrated in Appendix D – DISPOSITION STRATEGY FLOWCHART.

The illustrated systematic approach focuses on internal transfer of the asset first as, per the Affiliate Asset Transfer Agreement (AATA) and Affiliate Asset Transfer (AAT) process, assets transferred internally are at Average Unit Price (AUP). Large asset distribution efforts have historically returned a fractional percentage of AUP overall, therefore, receiving AUP or greater for an asset is advantageous to our customers.

Following internal transfers, in terms of expected returns, are marketing to utilities, then 3rd party resellers, then salvage and scrap (in order from high to low).

Assets are segregated (or "bucketed") by AUP tranches. Large asset distribution efforts have also shown that the overwhelming amount of total value is returned by a small amount of the asset set. In the case of the CR3 inventory asset set of 1.4M items, Tranches 1 through 5 represent approximately 12,000 items and approximately 85% of inventory value. The project will place special focus on Tranches 1 through 5 and the requisite marketing effort they demand.

Disposition of Tranche 6 is labor intensive to disposition due to the significant number of items, with expected return being low.

Governance

Governance for the Project is provided in AI-9010, *Conduct of CR3 Investment Recovery*. The strategic approach outlined above is congruent with the requirement stated in AI-9010.

Guidance

Guidance for consistent implementation of each sales track (Affiliate Transfer, Utility/OEM, 3rd Party Reseller, and Scrap/Salvage) is contained in Investment Recovery Guidance Document IRGD-001, *Sales Track Guidance and Documentation Package Development*. This guidance document also provides information on Project Assurance (PA) SharePoint organization and file naming convention for PA documents; with each disposition having a completed checklist of required actions completed.

8.0 IMPLEMENTATION AND IMPLEMENTATION MANAGEMENT

[NOTE: Section titled changed from Construction to Implementation due to the unique nature of the Project]

Removal of Installed Assets

The removal of installed assets must be performed in a manner that maintains configuration control and supports relied upon system functionality, as established by the system abandonment process (AI-9003, *System Evaluation and Categorization*) and schedule.

To ensure compliance with the system abandonment process, each installed asset requested will be evaluated and the removal approved by plant management. This approval process will also review risks associated with the removal to ensure that the plant is willing to accept those risks for the sake of disposition. Approval is documented on a form contained in AI-9010, *Conduct of Investment Recovery*.

Large Component Removal and Shipping

Multiple large CWIP components that are not installed, such as the Low and High Pressure Turbines, POD Cooling Tower, and feed water heaters, will be removed for shipping by the Major Projects Implementation group. These are significant efforts requiring specialized skills and equipment.

The removal of an installed asset or large component removal and shipping activities are handled as a stand-alone task with a specific task plan developed. Costs to remove installed assets will be the sole responsibility of the buyer.

Implementation oversight shall be provided by Duke Energy's PMC department.

9.0 INTEGRATION, COMMISSIONING AND TURNOVER STRATEGY & MANAGEMENT

[This section is not applicable to the Project as there are no integration, commissioning or turnover activities associated in this non-construction project.]

10.0 SCOPE MANAGEMENT

The Scope Baseline will be controlled and maintained by the Project Manager in accordance with PJM-00008-ENTSTD. Changes to the Scope Baseline will be managed through the Integrated Change Control (ICF) process utilizing Integrated Change Control Forms (ICF)processed in the PassPort system.

11.0 SCHEDULE MANAGEMENT

The Project will use Primavera P6 or higher version as the primary scheduling software.

The Project Scheduler is responsible for the following weekly activities at a minimum:

1. Quality of the fully Integrated schedule
2. Weekly schedule review meetings
3. Schedule updates
4. Change trends.

Schedule Development

A detailed, resource loaded Level 3, including Duke Energy critical interface points is developed for all disposition activities. Additional schedule elements for the removal of installed assets and large component removal and shipping activities will be developed and added to the overall integrated schedule.

The Project Controls Manager will then implement the PMC Schedule Baseline approval process as per the PMC-PRC-00-AD-0009 PMC Project Schedule Management procedure. This process establishes the fully Integrated Baseline schedule. The Project Scheduler will refer to the PMC-PRC-00-AD-0009 PMC Schedule Management procedure regarding file naming, data archive, and overall schedule management process details for the Project.

Upon approval/sign-off on the Project Schedule Baseline, the Project Manager then officially accepts the Level 3 schedule as the Baseline schedule.

The Schedule Baseline will then be controlled and maintained by the Project Manager with assistance from the Scheduler. Changes to the Schedule Baseline will be managed through the ICF process. The Project will utilize Primavera P6.8.1 or higher version as the primary scheduling software.

Schedule Analysis

The Schedule will be reviewed and analyzed for float, completeness, logic, open ends, contractual dates, and milestones, on a weekly basis by the on-site Project Controls personnel. Any feedback or corrections on the schedule will be communicated by Project Controls to the contractor and also noted as minutes from the weekly on-site Project Controls meeting.

Earned Value Reporting and Analysis

One of the key responsibilities of the Scheduler is to track, analyze, and audit the Earned Value. The analysis will be communicated through the internal weekly Project Controls reports as well as monthly reports which will be circulated to the Project Manager and other key individuals. For this Project, Earned Value metrics will include:

- Schedule Variance

- Cost Variance
- Estimate at Completion (EAC)
- Estimate to Completion (ETC)

12.0 COST AND FINANCIAL MANAGEMENT

Upon Establishing the Project Cost Baseline Structure, Project Controls develops a Cost and Finance Management system for the Project in accordance with PJM-00012 and PMC-PRC-NA-AD-0014 Cost & Contingency Management Procedure.

The Project will maintain and communicate total cost-to-date, un-awarded costs, pending change orders, ETC, and EAC through monthly reports.

Accruals will be recorded in compliance with the corporate accrual policy. The Cost Baseline will be controlled and maintained by the Project Manager with assistance from Project Controls and Finance Lead.

The Project Cost Lead is responsible for assembling the updated Project Cost package by the 10th of each month for team review. The team includes the Project Director, Finance Lead, Implementation Manager, and or Supply Chain.

The Project Manager will approve the final communication package regarding Project cost performance prior to mass distribution.

The Project Controls Cost Lead and Finance Lead will assist the PM to control and maintain the total Cost Baseline of the Project. Changes to the Cost Baseline will be managed in accordance with PMC-PRC-NA-AD-0014 Cost & Contingency Management Procedure.

Contingency Management

Per PMC-PRC-NA-AD-0014 Cost & Contingency Management Procedure, project contingency (Estimate uncertainty & Risk Contingency) drawdown will process through Change Control process utilizing ICFs. ICFs and contingency drawdown will be analyzed on a monthly basis and will document use of Contingency drawdown and Deviations against appropriate CBS. Contingency balance will be assessed against ETC and Risk profile and adequate explanation will be added in the report.

Risk update meeting will be conducted to evaluate updated Risk EMV for the project, Risk coverage ratio will be determined and analysis will be communicated in the analysis section to reflect the project's assessment on update risk profile.

Accounting Considerations

Accounting considerations are contained in Investment Recovery Guidance Document IRGD-001, *Sales Track Guidance and Documentation Package Development*. This provides a "roadmap" to how the IRP accounting is setup and how the Project ensures that it is accurately capturing and reporting IRP costs and sales, and that IRP net sales are correctly reflected as a reduction to the Reg Asset.

CBS and WBS Relationship

The CBS and WBS are aligned as follows:

Project Level 2 Number	Oracle Level 1 Task	Level 1 Task Description	Oracle Level 2 Task	Level 2 Task Description	WBS Element(s)
20104219	1000	Project Management	1001	Project Management	RCVR-DK-1-1, RCVR-DK-1-2, RCVR-DK-1-3, RCVR-DK-1-4, RCVR-DK-1-6, RCVR-DK-6-4, RCVR-DK-6-5
			1002	Contracts	RCVR-DK-3-2, RCVR-DK-6-3 PM contracts only
			1003	Materials/Other	TBD
			1004	Project Management Other	RCVR-DK-1-5, RCVR-DK-7-1, RCVR-DK-7-2, RCVR-DK-7-3
	2000	Sales	2001	Sales Labor	RCVR-DK-2-1, RCVR-DK-2-2, RCVR-DK-2-3, RCVR-DK-3-1, RCVR-DK-3-3, RCVR-DK-3-5, RCVR-DK-6-2
			2002	Sales Material Handling	RCVR-DK-3-4
			2003	Sales Contracts	RCVR-DK-3-2, RCVR-DK-6-3
	3000	Removal Costs	3001	Removal Costs - LPT	RCVR-DK-4-1, RCVR-DK-5-3, RCVR-DK-6-1
			3002	Removal Costs - POD	RCVR-DK-4-1, RCVR-DK-5-3, RCVR-DK-6-1
			3003	Removal Costs - CWP	RCVR-DK-4-1, RCVR-DK-5-2, RCVR-DK-6-1
			3004	Removal Costs - EPU Preservation	RCVR-DK-4-1, RCVR-DK-5-1, RCVR-DK-6-1
			3005	Removal Costs - POD Preservation	RCVR-DK-4-1, RCVR-DK-5-1, RCVR-DK-6-1
			3006	Removal Costs - Other Preservation	RCVR-DK-4-1, RCVR-DK-5-1, RCVR-DK-6-1
			3999	Removal Costs - Non-reimbursable	RCVR-DK-4-1, RCVR-DK-5-1, RCVR-DK-6-1

13.0 RESOURCE MANAGEMENT

Staffing

The Project will utilize a cross functional team to plan, execute, monitor, control and close the Project as mentioned under "Organization Duties & Responsibilities and Approval Entities" section. Personnel that are working on the Project will charge their time and expenses as per the appropriate CBS. The hours and expenses of the internal personnel charging to the Project will be reviewed on a monthly basis. The Finance Lead will be responsible for running the Duke Energy direct labor report and will review the

report, along with the Project Controls Lead and the Project Manager, to ensure that all time and expenses being charged to the Project have been done so appropriately.

Kick-off Meeting

The Project Manager will conduct a Project Kick-Off Meeting on-site with all members of the Project team to go over execution strategy in detail including processes, procedures, roles and responsibilities, ground rules on-site, contract management at Site level, interface with other entities during execution phase, communication plan and rules, etc.

CR3 SUPPORT

Plant Operations

The project will interface with operations to obtain necessary equipment clearances to allow work to proceed safely and to maintain configuration control and protect spent fuel pool interface systems.

Training

The project leadership team is committed to ensuring only properly trained and qualified individuals are assigned to work independently. Existing CR3, Duke Energy fleet or industry training material will be used whenever possible to minimize the need to develop new training material. When needed, additional training will be designed and specific training material will be developed. Fleet training procedures will be used as a reference to guide project training activities.

As each individual is hired, specific initial and continuing training needs will be identified by comparing the individual's knowledge, skill, and experience with the position-to-training matrix. In addition, individual qualification requirements will be identified. Training personnel and project supervision will collaborate to determine the topics from which training exemptions will be granted. Training and qualification requirements and completion status will be maintained in the station's personnel qualification database.

Radiation Protection

Radiation Protection and Control will be implemented for the project in accordance with Site Radiation Control & Protection Manual. The project will interface with the site Radiation Protection staff responsible for ALARA planning, work permit development, and briefings. The project will integrate with station field resources for RP coverage and surveys.

Radiation Protection will also be responsible for oversight of vendor plans for material removal. This includes responsibility for survey and release of any material leaving the radiation controlled area and site.

Engineering

Duke Energy staff will have the primary responsibility for the design and field implementation support of the project. Vendors will be utilized as required to provide specialized analysis and skills.

CR3 Site Engineering will support project development, contractor adherence to performance requirements, maintain knowledge of current project issues, facilitate the resolution of technical issues, and ensure internal stakeholders adequately and expeditiously review project deliverables.

Security

Duke Energy will maintain responsibility for site security and protection. All project site activities will be subject to the site security plan. The project will interface with the site security supervisor to integrate project activities with Security.

14.0 QUALITY MANAGEMENT

The Project will abide to CR3 Nuclear Oversight Program and Policies. The CR3 Nuclear Oversight Staff will be utilized to accomplish these functions. The goal of the Nuclear Oversight (NOS) is to provide nuclear oversight for the execution of the Project in accordance with the CR3 QA Program manual and Nuclear Oversight policies and Procedures including AD-NO-ALL-0500, Major and Complex Project Oversight.

Lessons Learned

Application of lessons learned and operating experience will be integrated into the planning and execution of the Project. Lessons learned and operating experience from other Duke generating plant retirements and industry operating experience from similar work activities will be incorporated. Formal disposition of Operating Experience will be in accordance with CAP0200, Conduct of Performance Improvement as applicable.

Corrective Action Program

The Corrective Action Program (CAP) establishes the processes and responsibilities for documenting and resolving problems, including conditions adverse to quality. The program is designed to address problems in a manner consistent with the nature of the condition and its importance to nuclear safety,

industrial safety, or equipment reliability. The Project will utilize the station corrective action program throughout the duration of the project to address all issues related to owner and vendor actions.

Safety Conscience Work Environment

Project leadership will work to maintain a safety conscience work environment on the project. The project will integrate into the station Safety Culture Program, ADM0119.

15.0 RISK MANAGEMENT

The Risk Management process through-out the Project will be in accordance with in accordance with PJM-00004, PJM-00013, PJM-00013 Guide and PMC-PRC-NA-AD-0016 Risk Management Procedure.

The Project will utilize a Risk Register, Top Ten Post Response Strategy Risk Matrix, Risk Radar and Risk Trend tools to monitor, control, and communicate the status of Project risks on monthly basis at a minimum.

The Project will utilize the current available template of the Risk Register tool as provided on the PMCoE SharePoint Site. The PMC Project Controls Lead will ensure that the Project risk register is updated on a monthly basis, in advance of and in support of the monthly Project review meeting.

16.0 COMMUNICATION MANAGEMENT

Emergency Incidents

The affected party will immediately notify the Duke Energy Project Manager. The PMC Project Manager maintains the Incident Notification log through-out the Project life-cycle for record and audit purposes.

For Safety Incidents

- The first person at the site of an accident or incident where medical assistance is required shall immediately call 5555 or the appropriate emergency number for the work location.
- The Site Safety Lead or Project Implementation Manager will notify the PMC Project Manager & PMC Safety Lead (Charlotte) per the Management Intervention Plan (MIP).
- The Site Safety Lead will complete the first notice of serious event or OSHA recordable, approved by Site management & distributed as instructed through Plantview (PMC internal only), per the Management Intervention Plan (MIP) .

- The PMC Project Manager will make notifications per the Management Intervention Plan (MIP).
- The Project Implementation Manager will make notifications per the Management Intervention Plan (MIP).

For Environmental Incidents

- The Site Environmental Lead or Project Implementation Manager will make notifications per the Management Intervention Plan (MIP).
- The Site Environmental Lead or PMC Site Construction Manager will immediately notify the PMC Project Director & PMC Environmental Lead (Charlotte).
- The PMC Project Director will notify the GM-PMC and Plant/Station manager.
- The PMC Site Construction Manager will notify the PMC Manager-Site Construction.

NOTE: The PMC Environmental Lead (Charlotte) coordinates and manages all agency notifications through Duke Energy EHSS. Contractors will not make agency notifications or public comment releases to the press.

Meeting Schedules

Project meetings will be held on a weekly and monthly basis.

Key Decisions

The Project Manager will use the ICF Change Control Process to seek VP, PMC approval prior to implementing a key decision on the Project which is not addressed at any other forum. For instance, the Project decision to Re-Baseline schedule will be tracked and approved through this process.

Lessons Learned Management

Lessons Learned will be documented in accordance with the PMC-PRC-00-AD-0007 Performance Improvement (PI) procedure.

All Project lessons learned will be documented in Plantview and also reported through the monthly report review process.

After Action Review (AAR)

Following critical evolutions and other major events the Project team will conduct AARs in accordance with the PMC PI procedure.

Post-Project Debriefing

During the Project's close phase, the Project team will perform a post-Project debriefing to facilitate identification of lessons learned in accordance with the PJM-00019-ENTSTD Project Close Management Standard.

17.0 COMPLIANCE MANAGEMENT [SAFETY, ENVIRONMENTAL, AND REGULATORY]

Safety Plan

The Site occupational health and safety focus incorporates Duke Energy Corporate procedures applicable to the Site, Corporate Development Group - Health and Safety Management System, and applicable operating plant health and safety procedures.

Occupational health and safety expectation includes adequate oversight and continuous improvement throughout the Project.

Environmental Permits

There are no environmental permits expected for the Project. The need for permits required to support large component removal and shipment will be addressed in the individual Task Plan(s) developed.

Environmental Compliance

The Environmental Compliance Plan (ECP) for individual Task Plans will consist of the development and implementation of a Site specific environmental execution plan based on each scope.

Regulatory

Specific guidance for execution of the Project is provided in AI-9010, *Conduct of CR3 Investment Recovery*. Regular review and audit is performed under the purview of the Duke Rates and Regulatory Strategy department.

18.0 DOCUMENT CONTROL & PROJECT ASSURANCE

Document Control

The CR3 Decommissioning Document Retention SharePoint site will be used for capturing and storing Project records. In addition to the documents specified in the Project Assurance Plan, a "working"

section is established to store in-progress project documents (e.g.; action items, contracts, AAT forms, IRP Master Database, Photos, POs, sales data, etc.)

Project Assurance

The Project Manager and other entities involved in planning and executing the Project are responsible for ensuring that the Project is implemented in a reasonable and prudent manner. The role of Project Assurance is to ensure that Project stakeholders understand the regulatory cost recovery process and the importance of managing the Project in a manner that will allow the company to recover Project costs as permitted by relevant laws, rules and regulations. A designated Project Assurance Advisor will be appointed to support and advise the Project management team based on Project type/requirements. The advisor will collaborate with the Project Manager to identify Project decisions and decision milestones that may be subject to regulatory scrutiny and will be available to review and/or advise upon the documentation necessary to demonstrate that those decisions were reasonable and prudent.

Project Assurance issues will be sent via e-mail with copy to the Project email address. Refer to PMC-PRC-NA-AD-0013 Project Assurance Manual for details and process information.

19.0 PROJECT REPORTING AND PERFORMANCE MEASUREMENT TOOL

Project Performance Measurement Tool

The Project Performance Measurement Tool consist of two (2) categories/Key Performance Indicators (KPI) – proceeds / cost, and asset work down curve. Updates of both KPIs will be evaluated and communicated at an agreed frequency (Weekly and Monthly) as per the weekly/monthly reporting distribution sheet. The Project will use the PMC management approved Monthly Report template to communicate performance updates.

Project Reporting – PMC internal

Project reporting includes both weekly and monthly generated reports.

On a weekly basis, the Project Manager will use an exception based weekly report to status the Project update. The weekly report is a SharePoint web report and is to be completed by the Project Director by the close of business every Thursday.

On a monthly basis, the Project core team will jointly update the Project Monthly report for KPIs performance updates in detail. The Project Manager will host a monthly Project progress meeting for PMC management. The meeting will cover all of the items that are to be noted in the monthly report.

The monthly Project team meeting will be held to facilitate a forum for key stakeholders to gain an understanding of the Project status and engage in key issues and risks.

The following are a list of reports regularly generated by the Project team:

- Monthly Project Reports
  - Cost & Financials Analytics
  - Asset work down curves
  - Schedule milestone performance
- Weekly Project Reports
  - Exceptions

20.0 WARRANTY MANAGEMENT

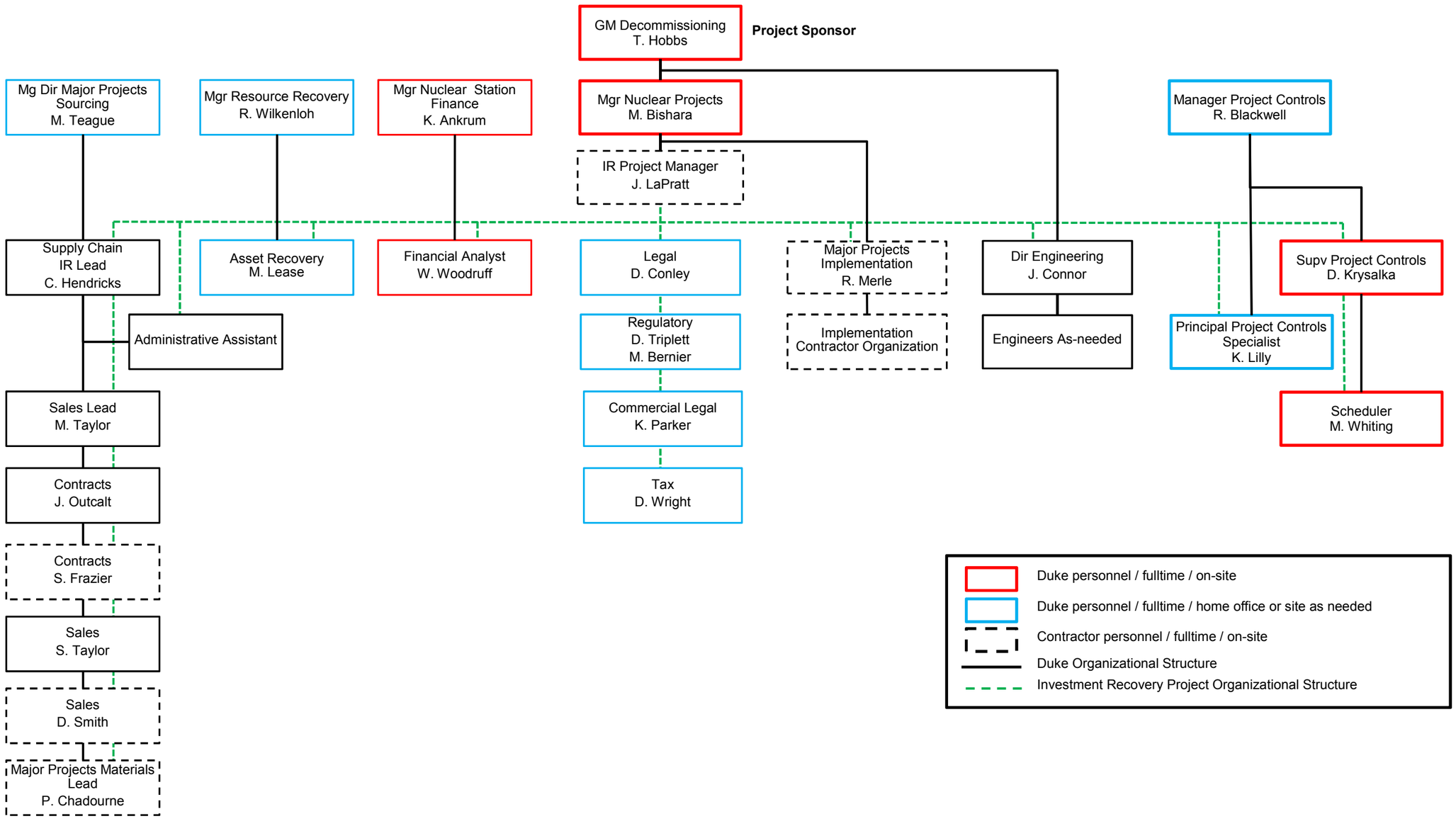
CR3 assets dispositioned to non-Duke entities by this Project are sold as-is, where-is with no warranty by Duke. Supply Chain Contracts personnel will work with asset suppliers as needed to facilitate transfer of manufacturer/supplier warranties when assets are transferred to a Duke affiliate.

21.0 PROJECT CLOSE-OUT MANAGEMENT

Project Close-Out Management will be in accordance with PJM-00019-ENTSTD and PMC-PRC-00-AD-0004 PMC Project Stage Gate Review and Approval procedure. These procedures provides guidance on the Project close-out process, accounts closing, contract closing, final job report, documents transfer, and reporting of standard post Project benefit assessments.

A final Project Close-Out meeting will be held during which the Project Manager and PMC General Manager will review open items and remaining scope of the work. The Project Manager will also review any contractual agreements. This may include any open items for audits, incident investigations, or corrective actions.

APPENDIX A – ORGANIZATION CHART



APPENDIX B – ORGANIZATION RACI[1] CHART

	Project Team Member											
Activity	**Project Manager**	**Supply Chain Lead**	**SC Contracts Lead**	**Proj Cont Specialist/ Supervisor**	**Proj Cont Scheduler**	**Proj Cont Estimator**	**Financial Analyst/ Manager**	**Project Engineer**	**Impl Manager**	**Reg Lead**	**Legal Lead**	**Lead Planner**
DK-1 Project Administration												
DK1-1 Develop Project Plan Documents	A/R	C	C	C	I	I	C	C	C	C	C	I
DK1-2 Estimate Project Costs	A	C	C	C	C	R	C	C	C	C	C	I
DK1-3 Develop Project Schedule	A	C	I	C	R	I	I	C	C	I	I	C
DK1-4 Perform Monitor and Control	A/R	R	C	R	R	I	R	C	C	C	C	I
DK1-5 Perform Project Assessments	A	C	C	C	C	C	C	C	C	R	R	C
DK1-6 Project Funding and Gate Reviews	A/R	C	C	C	C	C	C	C	C	C	C	C
DK-2 Engineer												
DK2-1 Engineering Change	A	I	I	I	I	I	I	R	C	I	I	I
DK2-2 Sales Engineering Support	A	C	C	I	I	I	I	R	I	I	I	I
DK2-3 Implementation Engineering Support	A	I	I	I	C	I	I	R	C	I	I	C
DK-3 Supply Chain												
DK3-1 Sales Activities	A	R	C	I	I	I	C	C	C	I	I	I
DK3-2 Contract Management	A	C	R	I	I	C	C	C	C	I	I	I
DK3-3 Procurement Engineering Data Package Dev	A	R	C	I	I	I	I	C	I	I	I	I
DK3-4 Material Handling	A	R	I	I	I	I	I	I	I	I	I	I
DK3-5 Database Management	A	R	C	C	I	I	C	C	I	I	I	I
DK-4 Work Planning												
DK4-1 Develop Work Orders	A	I	C	I	C	I	I	C	C	I	I	R
DK-5 Implementation												
DK5-1 Asset Preservation	A	C	C	I	C	I	I	C	R	I	I	C
DK5-2 Installed Asset Removal	A	C	C	I	C	I	I	C	R	I	I	C
DK5-3 Large Component Removal/Shipping	A	C	C	I	C	I	I	C	R	I	I	C
DK-6 Project Closeout												
DK6-1 Close Work Orders	A	C	C	I	C	I	I	C	C	I	I	R
DK6-2 Close Engineering Documents	A	C	C	I	I	I	I	R	C	I	I	C
DK6-3 Close Contracts	A	C	R	I	I	I	C	C	C	I	I	I
DK6-4 Close Project Documents	A/R	C	C	C	C	C	C	C	C	C	C	C
DK6-5 Perform Project Lessons Learned	A/R	C	C	C	C	C	C	C	C	C	C	C
DK-7 Legal & Regulatory Oversight												
DK7-1 Legal Reviews	A	C	C	C	C	C	C	C	C	C	R	C
DK7-2 Regulatory Reviews	A	C	C	C	C	C	C	C	C	R	C	C
DK7-3 Tax & Financial Reviews	A	C	C	C	C	C	R	C	C	C	C	C

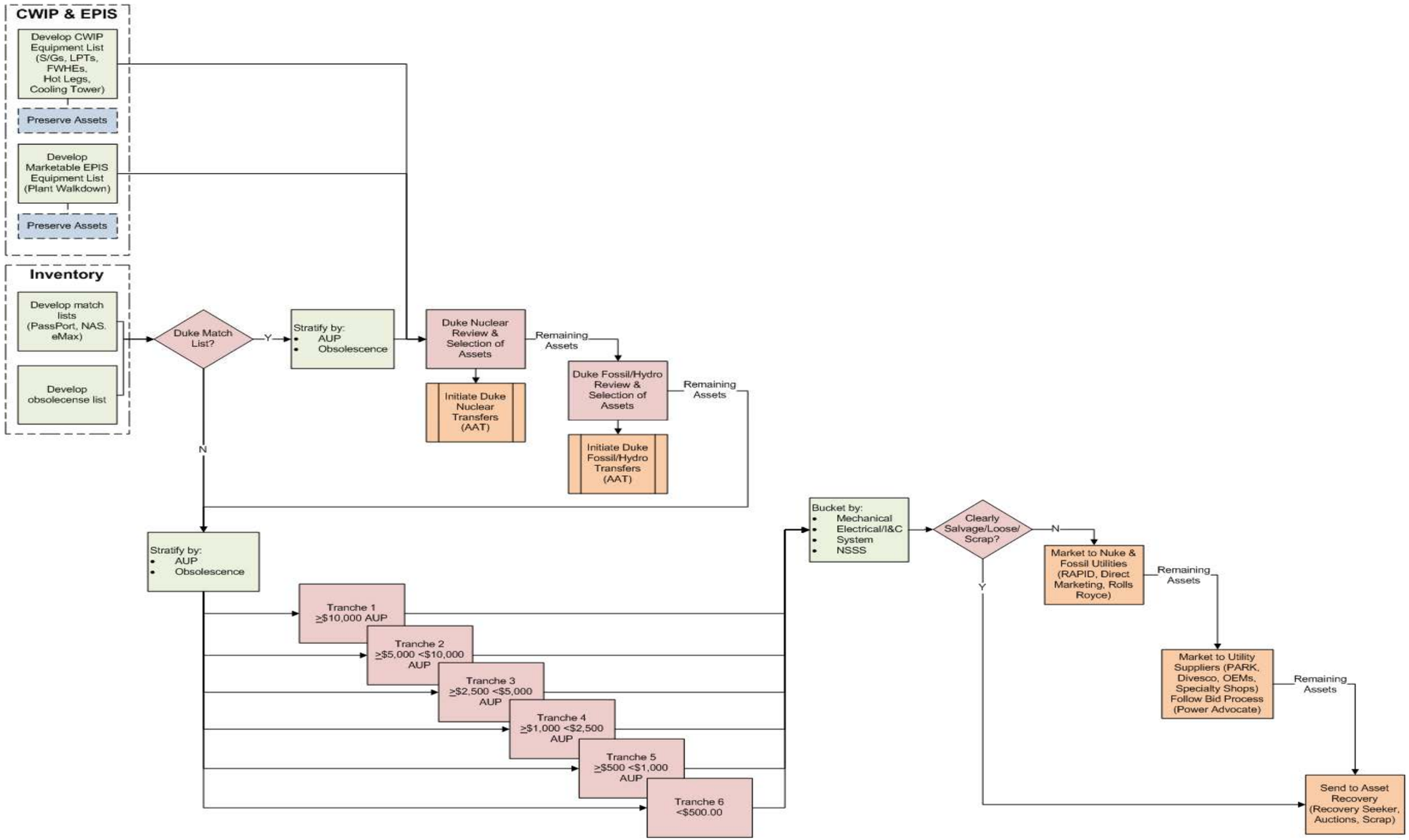
[1]**R [responsible]** Those who do work to achieve the task. **A [accountable]** The resource ultimately answerable for the correct and thorough completion of the task. **C [consult]** The resources whose opinions are sought on various activities. This is a two-way communication. **I [inform]** The resources that need to be kept up-to-date on progress. This is a one-way communication.

APPENDIX C – CONTACT LIST

Project Management				
Last Name	**First Name**	**Position**	**Extension**	**Cell Phone**
LaPratt	Jeff	PM	[redacted]	[redacted]
Bishara	Magdy	MGR Nuclear Projects	[redacted]	[redacted]
Project Controls & Support				
Last Name	**First Name**	**Position**	**Extension**	**Cell Phone**
Krysalka	Dan	Supv Project Controls	[redacted]	[redacted]
Lilly	Kathy	Prnc Proj Controls Specialist	[redacted]	[redacted]
Woodruff	Wendy	Sr Financial Analyst	[redacted]	[redacted]
Whiting	Mark	Sr Proj Controls Specialist	[redacted]	[redacted]
Supply Chain				
Last Name	**First Name**	**Position**	**Extension**	**Cell Phone**
Teague	Mark	Mgng Dir Major Projs Sourcing	[redacted]	[redacted]
Hendricks	Chris	Mgr Nuc Site Supply Chain	[redacted]	[redacted]
Taylor	Mike	Mgr Nuclear Procurement	[redacted]	[redacted]
Smith	Dave	Contractor – IRP Specialist	[redacted]	[redacted]
Taylor	Steve	Sr Tech Specialist	[redacted]	[redacted]
Outcalt	Jay	Contacts	[redacted]	[redacted]
Frazier	Shannon	Contracts	[redacted]	[redacted]
Chadourne	Paul	Materials Lead	[redacted]	[redacted]
Lease	Michelle	Asset Recovery Coordinator	[redacted]	[redacted]
Engineering				
Last Name	**First Name**	**Position**	**Extension**	**Cell Phone**
Connor	Jim	Dir Nuclear Engineering	[redacted]	[redacted]
Implementation				
Last Name	**First Name**	**Position**	**Extension**	**Cell Phone**
Merle	Russ	Implementation Manager	[redacted]	[redacted]

Legal / Regulatory / Tax				
Last Name	**First Name**	**Position**	**Extension**	**Cell Phone**
Conley	Dave	Associate Gen Counsel	[redacted]	[redacted]
Triplett	Dianne	Associate Gen Counsel	[redacted]	[redacted]
Bernier	Matt	Sr Counsel	[redacted]	[redacted]
Parker	Kristy	Associate Gen Counsel	[redacted]	[redacted]
Wright	Dave	Dir Non-income & Property Tax	[redacted]	[redacted]
Olivier	Marcia	Dir Rates & Reg Strategy	[redacted]	[redacted]

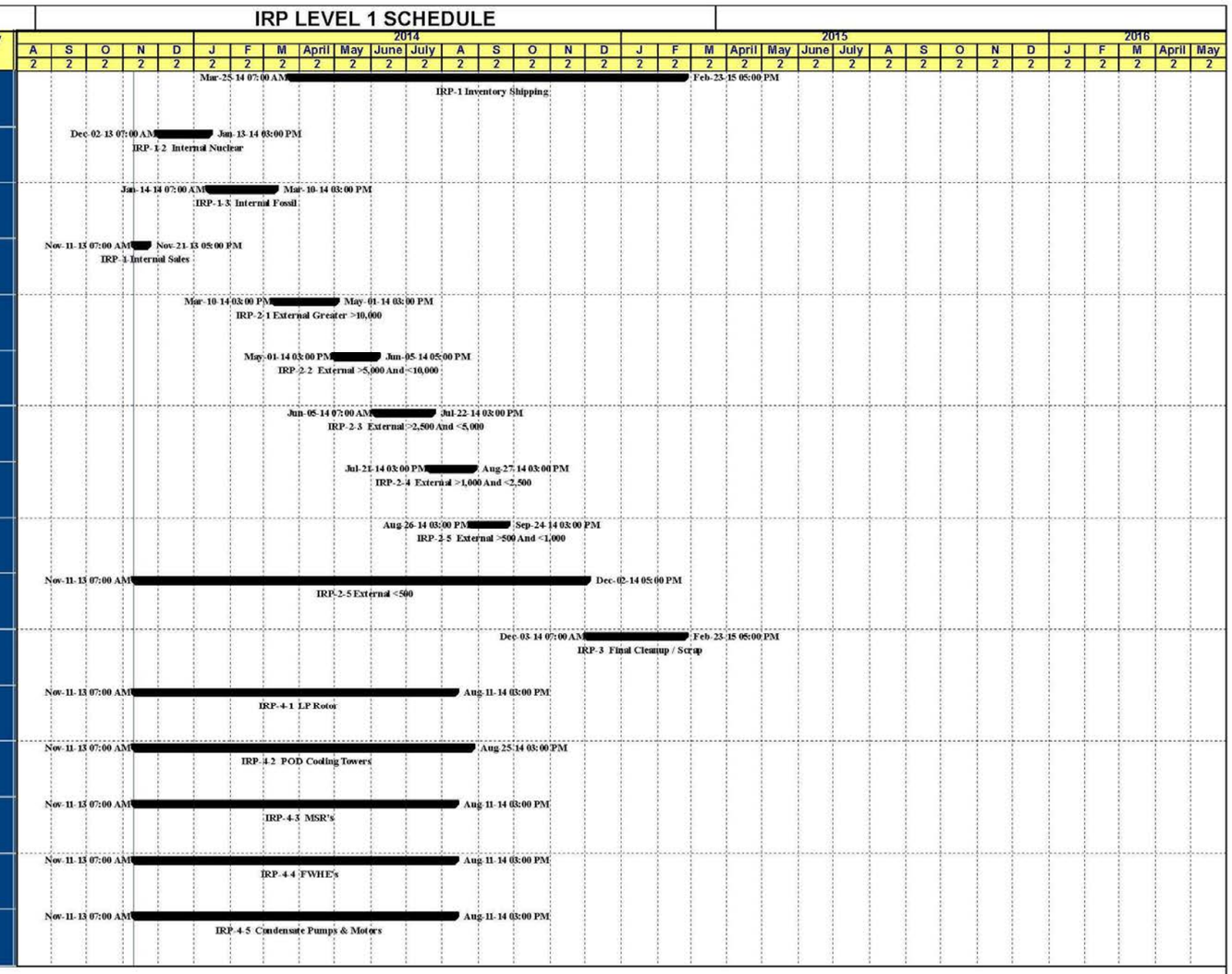
APPENDIX D – DISPOSITION STRATEGY FLOWCHART



APPENDIX E – LEVEL 1 SCHEDULE

CR3 INVESTMENT RECOVERY SCHEDULE

Activity ID	Activity Name	Start	Finish	Hrs	Activity Type
IRP-1	Inventory Shipping	Mar-25-14 07:00 AM	Feb-23-15 05:00 PM	1830h	
IRP-1-2	Internal Nuclear	Dec-02-13 07:00 AM	Jan-13-14 03:00 PM	218h	
IRP-1-3	Internal Fossil	Jan-14-14 07:00 AM	Mar-10-14 03:00 PM	318h	
IRP-1-Internal Sales		Nov-11-13 07:00 AM	Nov-21-13 05:00 PM	80h	
IRP-2-1	External Greater >10,000	Mar-10-14 03:00 PM	May-01-14 03:00 PM	300h	
IRP-2-2	External >5,000 And <10,0	May-01-14 03:00 PM	Jun-05-14 05:00 PM	192h	
IRP-2-3	External >2,500 And <5,00	Jun-05-14 07:00 AM	Jul-22-14 03:00 PM	288h	
IRP-2-4	External >1,000 And <2,50	Jul-21-14 03:00 PM	Aug-27-14 03:00 PM	220h	
IRP-2-5	External >500 And <1,000	Aug-26-14 03:00 PM	Sep-24-14 03:00 PM	160h	
IRP-2-5	External <500	Nov-11-13 07:00 AM	Dec-02-14 05:00 PM	2100h	
IRP-3	Final Cleanup / Scrap	Dec-03-14 07:00 AM	Feb-23-15 05:00 PM	440h	
IRP-4-1	LP Rotor	Nov-11-13 07:00 AM	Aug-11-14 03:00 PM	1498h	
IRP-4-2	POD Cooling Towers	Nov-11-13 07:00 AM	Aug-25-14 03:00 PM	1578h	
IRP-4-3	MSR's	Nov-11-13 07:00 AM	Aug-11-14 03:00 PM	1498h	
IRP-4-4	FWHE's	Nov-11-13 07:00 AM	Aug-11-14 03:00 PM	1498h	
IRP-4-5	Condensate Pumps & Mo	Nov-11-13 07:00 AM	Aug-11-14 03:00 PM	1498h	



Summary

Report Date Jan-21-14

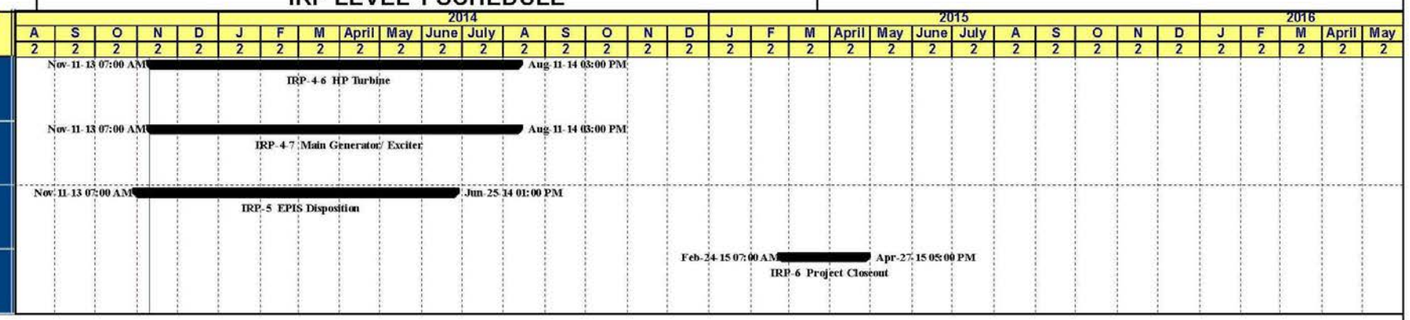
Data Date Nov-11-13

1

CR3 INVESTMENT RECOVERY SCHEDULE

IRP LEVEL 1 SCHEDULE

Activity ID	Activity Name	Start	Finish	Hrs	Activity Type
IRP-4-6	HP Turbine	Nov-11-13 07:00 AM	Aug-11-14 03:00 PM	1498h	
IRP-4-7	Main Generator/ Exciter	Nov-11-13 07:00 AM	Aug-11-14 03:00 PM	1498h	
IRP-5	EPIS Disposition	Nov-01-13 07:00 AM A	Jun-25-14 01:00 PM	1246h	
IRP-6	Project Closeout	Feb-24-15 07:00 AM	Apr-27-15 05:00 PM	360h	



Summary

Report Date Jan-21-14

Data Date Nov-11-13

APPENDIX F – PMC DOCUMENT APPROVAL FORM

DUKE ENERGY.

Project Management & Construction
Document Approval Form (DAF)

Section A: Document identification and type of action

Document Number: N/A	**Revision Number:** 0
Document Title: CR3 Investment Recovery Project Project Execution Plan	
Type of Action: ☒ New ☐ Suspension ☐ Revision ☐ Ownership Change ☐ Cancellation ☐ Periodic review completed	**Effective Date:** 2/25/2014
Applies to: Project Management & Construction	**Group:** CR3 Decommissioning Transition Org

Applicable to Forms Only
Does form have a parent procedure? ☒ No ☐ Yes Procedure #:
☐ **Communication plan established N/A** ☐ **Impact Reviews Completed N/A**

Description of document action or summary of changes:

The document presents the Project Execution Plan for the CR3 Investment Recovery Project (IRP).

Preparer(s): Jeff LaPratt, IRP PM

Section B: Approval

Jeff LaPratt/IRP PM Approval recommended (print name)	Signature	2/24/14 Date
Magdy Bishara/MGR Major Projects Approval recommended (print name)	Signature	2/24/14 Date
Terry Hobbs/GM Decommissioning Final Approval (print name)	Signature	2/24/14 Date
N/A Approved (for approval of interface documents only)	Signature	Date

RETURN SIGNED FORM TO PMC GOVERNANCE

INVESTMENT RECOVERY GUIDANCE DOCUMENT

IRGD-001

Revision 0

Sales Track Guidance and Documentation Package Development

An Uncontrolled Reference and Assistance Document

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET: 150148-EI EXHIBIT: 16
PARTY: DUKE ENERGY FLORIDA, INC.
(DEF) – (DIRECT)
DESCRIPTION: Mark Teague MT-3

Note: If any conflicts exist between the current Directives and Procedures and the information contained within this guidance document all directives and procedures shall govern the work described herein.

Sales Guidance and Documentation Package Development

TABLE OF CONTENTS

Sales Guidance and Documentation Package Development

1.0 PURPOSE

This Guidance Document provides instruction to conduct sales and develop complete documentation packages for the Crystal River Unit 3 (CR3) Investment Recovery Project (IRP).

2.0 APPLICABILITY

This Guidance Document applies to the IRP. More specifically, this Guidance Document applies to the sale/transfer of material and the development and retention of sales and other supporting documentation.

3.0 ROLES AND RESPONSIBILITIES

Manager Nuclear Procurement or designee is the single point of contact for reviewing all documentation packages and ensuring all documents are uploaded to the Share Point Site and sales tracking database.

Investment Recovery Project Manager (IRPM) provides oversight of the sales process and documentation retention activities. Additionally, the Investment Recovery PM is responsible for facilitating the removal of equipment installed in the plant.

Investment Recovery Sales Team (IRST) is the point of contact for obtaining sales leads, negotiating the sale, closing the sale, and documenting all aspects of the sale transaction. The CR3 IRST is also responsible for loading all documentation on the Investment Recovery Share Point Site and sales tracking database.

Asset Recovery Sales Team (ARST) processes all salvage transactions, and is responsible for invoicing vendors after Inter-Utility (RAPID), external third party, and salvage sales are completed.

CR3 Financial Analyst determines the Net Book Value (NBV) for Duke Affiliate Transfers and Duke Internal Sales, when available. Completes first half of the Capital-to-Capital or Capital-to-Inventory template and tracks Journal Entries processed by Asset Accounting and performs Journal Entries for transfers within the state of Florida.

4.0 IRP SALES STRATEGY

Organize – Develop a list of and categorize all items available for immediate sale with an explanation of how the sale criteria and categorization was achieved.

Preserve – Determine what preventive maintenance (PM) and preservation activities are required to allow the highest rate of return for all CR3 assets. Develop and implement a plan for the preventive maintenance (PM) and preservation activities.

Analyze – Determine the most effective method for each category and create a schedule for the sale of these items.

Disposition – Distribute the “match” lists within the Duke organization to obtain the highest rate of return. Follow the AI9010 Administrative Procedure for the remaining equipment and material.

5.0 SALES PROCESS AND REQUIRED DOCUMENTATION

5.1 Duke Affiliate Transfer

1. IF non-inventory Capital material, THEN the financial analyst will determine the Net Book Value (NBV) and completes either:
    a. Capital-to-Capital template and sends to requesting location; or
    b. Capital-to-Inventory template and sends to requesting location.
2. IF Inventory material, THEN Calculated Unit Price (CUP) from the CAT ID shall be used for the asset value.
3. Requesting Location shall initiate the Affiliate Asset Transfer (AAT) eForm and route to CR3 Investment Recovery (SCD211, Rev.1).
    a. Completed Capital-to-Capital or Capital-to-Inventory template shall be attached, if required.
4. The IRST shall complete and obtain approvals for Asset Disposition Review form (AI-9010, Attachment 1).
5. IF equipment is installed in the plant, THEN:
    a. IRST will initiate and obtain approvals for Installed Plant Equipment Removal Agreement (AI-9010, Attachment 2).
    b. IRPM facilitates the removal of the equipment with the IRP Implementation group.
6. Manager Nuclear Procurement, or designee, shall review the AAT eForm and if such AAT eForm is satisfactory (see Attachment A for requirements), approval shall be granted.
7. FL legal shall review the AAT eForm and if such eForm is satisfactory, approval shall be granted.
8. IF the equipment is installed in the plant, is Safety Related and is required to maintain a Safety Related classification, return to stock under the appropriate CAT ID, if one does not exist, create a new CAT ID per the established Nuclear Procedures:
    a. Initiate a PICK Ticket, for all listed/sold material, if the plant is Non-Nuclear the requesting site shall create an Material Request (MR).
    b. CR3 Adjust Minimum/Maximum to zero (0) in PassPort to prevent re-order.
9. IF inventory material, THEN:
    a. Initiate a PICK Ticket, if required, for all listed/sold material.
    b. CR3 IRST Adjust Minimum/Maximum to zero (0) in PassPort to prevent re-order.
10. Obtain shipping arrangements from requesting location.
11. Forward a copy of the AAT eForm and shipping information to the warehouse.
12. Ship material to the requesting location.

13. For Capital assets the AAT eForm is sent to Asset Accounting to perform a Journal Entry which transfers the funds.
    a. Journal entry should include the asset value (shipping, stores, etc.) as well as the removal costs, if required.
    b. True-up of actual costs is obtained through the journal entry and attached to the AI9010.
14. Document sale on the Sales Tracking Database and place electronic copies of the following sales documents in the SharePoint site IRP Document Retention File:
    a. AAT eForm, including all Attachments
    b. Asset Disposition Review (AI-9010, Attachment 1)
    c. Installed Plant Equipment Removal Agreement (AI-9010, Attachment 2), if required.
    d. PICK Ticket, if required
    e. Issue Ticket, if required
    f. Shipping documentation
    g. E-mails
    h. Journal entry documentation, if required

5.2 Duke Florida Internal Transfer

1. IF Non-inventory, THEN determine value of asset:
    a. Contact Financial Analyst to determine the NBV of the equipment.
    b. If NBV is not available, the IRST should determine Fair Market Value (FMV).
2. IF Safety Related material is requested, THEN
    a. IRST shall verify the material is not on the Match List.
    b. CAT ID shall be downgraded to Quality Level 4.
3. Complete and obtain approvals for Asset Disposition Review form (AI-9010, Attachment 1).
    a. IF non-inventory asset, THEN AI-9010, Attachment 1 is required.
    b. IF inventory asset, THEN AI9010, Attachment 1 is NOT required.
4. IF equipment is installed in the plant, THEN:
    a. Initiate and obtain approvals for Installed Plant Equipment Removal Agreement (AI-9010, Attachment 2).
    b. IRPM facilitates the removal of the equipment with the IRP Implementation group.
5. IF the item has a CAT ID in the PassPort System and the:
    a. Item is Safety Related (QL 1, 2, 3)
        i. A Material Request shall be completed by the requesting site.

ii. CR3 shall Adjust Minimum/Maximum to "0" to prevent a re-order.

b. Item is non-safety related (QL 4)

i. A Pick Form should be completed by the sending site.

ii. CR3 shall Adjust Minimum/Maximum to "0" to prevent a re-order.

6. Shipping arrangements are coordinated by requesting plant and shipping information shall be sent to the warehouse personnel.
7. Material is shipped to the requesting facility.
8. Document sale on the Sales Tracking Database and place electronic copies of the following sales documents in the SharePoint site IRP Document Retention File:
    a. Asset Disposition Review (AI-9010, Attachment 1)
    b. Installed Plant Equipment Removal Agreement (AI-9010, Attachment 2), if required.
    c. Pick Ticket/Transfer/Material Request, if required
    d. Issue Ticket, if required
    e. Shipping documentation
    f. E-mails
    g. True-up of actual costs documentation, if required
    h. Journal entry documentation, if required
9. A monthly report of all Duke Florida Internal Inventory sales shall be uploaded to the SharePoint site.
10. IF in-state transfer was purchased as or currently is EPIS, Inventory or O&M (101 or 106 accounts), THEN the material can be transferred and the receiving organization will not realize the costs at the time of the transfer.
11. IF in-state transfer was purchased as or currently is CWIP (107 account), THEN the cost is recognized by the receiving organization at the time of the transfer.

5.3 Inter-Utility (RAPID) Sale

1. Price is negotiated at CUP or better, Terms and Conditions are in accordance with the Inter-Utility Sales agreement. Note: Some sale prices may be lower than the CUP due to material condition, shelf life, etc. Approval of the modified sale price shall be obtained prior to sale closure by either the Manager Of Nuclear Procurement or Site Supply Chain Manager.
2. CR3 receives the Purchase Order (PO).
3. Complete and obtain approvals for Asset Disposition Review form (AI-9010, Attachment 1).
4. IF equipment is installed in the plant, THEN:
    a. Initiate and obtain approvals for Installed Plant Equipment Removal Agreement (AI-9010, Attachment 2).

   b. IRPM facilitates the removal of the equipment with the IRP Implementation group.

5. IF inventory, THEN CR3 IRP completes a Material Request and adjusts Minimum/Maximum to "0" to prevent re-order.
6. Shipping arrangements coordinated by requesting plant and CR3 warehouse.
   a. MR and PO are forwarded to CR3 warehouse for issuing and shipping instructions.
7. Material shipped to requesting facility.
   a. Forward shipment tracking information to buyers upon request.
8. Copy of shipping information/issue ticket sent to CR3 IRP.
9. Enter information into Investment Recovery RAPID database spreadsheet.
10. Document sale on the Sales Tracking Database and place electronic copies of the following sales documents in the SharePoint site IRP Document Retention File:
    a. Asset Disposition Review (AI-9010, Attachment 1)
    b. Installed Plant Equipment Removal Agreement (AI-9010, Attachment 2), if required.
    c. Purchase Order
    d. Material Request, if required
    e. Issue Ticket, if required
    f. Shipping documentation
    g. E-mails
    h. Copy of invoice
    i. Tax exempt form

5.4 Duke External Third Party Sale

1. Price is negotiated in accordance with the Terms and Conditions for CR3 Investment Recovery sales. Note: Buyer pays for all shipping and handling (including removal from plant if installed) costs.
   a. See Material Bidding Process 6.0
2. CR3 Receives the Contract/Purchase Order (PO).
3. Complete and obtain approvals for Asset Disposition Review form (AI-9010, Attachment 1).
4. IF equipment is installed in the plant, THEN:
   a. Initiate and obtain approvals for Installed Plant Equipment Removal Agreement (AI-9010, Attachment 2).
   b. IRPM facilitates the removal of the equipment with the IRP Implementation group.

5. IF Inventory, THEN CR3 IRP completes a Material Request (MR) and adjusts Minimum/Maximum to "0" to prevent re-order.
6. Shipping arrangements coordinated by requesting company in accordance with Contract/PO.
    a. MR and Contract/PO are forwarded to CR3 warehouse for issuing and shipping instructions.
7. Material shipped to requesting company.
    a. Forward shipment tracking information to buyers upon request.
8. Copy of shipping information/issue ticket sent to CR3 IRP.
9. Document sale on the Sales Tracking Database and place electronic copies of the following sales documents in the SharePoint site IRP Document Retention File:
    a. PowerAdvocate documents, if required
    b. Buyer Contract/Purchase Order
    c. Asset Disposition Review (AI-9010, Attachment 1)
    d. Installed Plant Equipment Removal Agreement (AI-9010, Attachment 2), if required.
    e. Material Request, if required
    f. Issue Ticket, if required
    g. Shipping documentation
    h. E-mails
    i. Copy of invoice
    j. Tax exempt form
    k. Signed IR Terms and Conditions

5.6 Duke Salvage Sale

1. Price is negotiated in accordance with the Terms and Conditions for CR3 Investment Recovery sales.
    a. See Material Bidding Process 6.0
2. CR3 Receives the Contract/Purchase Order (PO).
3. Complete and obtain approvals for Asset Disposition Review form (AI-9010, Attachment 1).
4. IF equipment is installed in the plant, THEN:
    a. Initiate and obtain approvals for Installed Plant Equipment Removal Agreement (AI-9010, Attachment 2).
    b. IRPM facilitates the removal of the equipment with the IRP Implementation group.

5. CR3 IRP completes a Material Request (MR) and adjusts Minimum/Maximum to "0" to prevent re-order.
6. Shipping arrangements coordinated by requesting company in accordance with Contract/PO.
    a. MR and Contract/PO are forwarded to CR3 warehouse for issuing and shipping instructions.
7. Material shipped to requesting company.
    a. Forward shipment tracking information to buyers upon request.
8. Copy of shipping information/issue ticket sent to CR3 IRP.
9. Document sale on the Sales Tracking Database and place electronic copies of the following sales documents in the SharePoint site IRP Document Retention File:
    a. PowerAdvocate documents, if required
    b. Buyer Contract/Purchase Order
    c. Asset Disposition Review (AI-9010, Attachment 1)
    d. Installed Plant Equipment Removal Agreement (AI-9010 Attachment 2), if required.
    e. Material Request, if required
    f. Issue Ticket, if required
    g. Shipping documentation
    h. Pertinent e-mails
    i. Copy of invoice
    j. Tax exempt form
    k. Signed IR Terms and Conditions

6.0 MATERIAL BIDDING PROCESS

1. IRSTs shall decide on a method of disposition based on the following criteria:
    a. Asset value < $15,000.00 - Items may be marketed and sold at the IRST's discretion
    b. $15,000.00 < Asset value < $100,000.00 – Items must be sold using one of the following methods:
        i. Asset Recovery's Online Surplus Marketplace
            1. Online marketing and sales tool may utilize one or more of the following sales methods:
                a. Auction
                b. Fixed Price Sale
                c. Classified Ad

2. Document sale on the Sales Tracking Database and place electronic copies of the following sales documents in the SharePoint site IRP Document Retention File:
    a. List of companies/individuals automatic emails were disseminated to.
    b. List of companies/individuals who received phone calls.
    c. List of Bidders.
    d. All communications:
        i. Emails
        ii. Posted comments
            1. Questions
            2. Responses
        iii. calls logged with notes regarding conversation.
    e. Amount of each bid.
    f. Number of visitors (names if possible).
    g. All documentation:
        i. T&Cs
        ii. AI-9010 Form
        iii. Screen shots
    h. Time Auction started/ended.

ii. Formal Bid

1. E-mail bid which includes a bid package containing at a minimum:
    a. Bid Cover Letter or Information letter
    b. Instructions to bidder
    c. List of Materials for Sale
    d. Terms and Conditions for CR3 Investment Recovery sales
    e. Bidder Response form

iii. Power Advocate Bid Event

c. Asset Value > $100,000.00
    i. Items must be sold using a Power Advocate Bid Event

2. Exception from standard Material Bidding Process
    a. IF an instance occurs where IR is required to make an exception for an asset sale, THEN they shall be documented by the IRST and approved by the Manager of Nuclear Procurement or designee.
    b. Examples of when an exception may occur include, but are not limited to the following:
        i. Contractual restraints only allow sale to one party (original manufacturer)
        ii. Expedited time frame for sale required and the sale price is above CUP

7.0 VENDOR SITE ACCESS

Prior to admittance to the CR3 site all vendor personnel shall have an approved Site Access Form. Prior to picking up material or equipment the vendor shall sign a Duke Energy agreement which includes acceptance of:

- Insurance requirements
- Safety and Security procedures
- Waiver of liability

8.0 CR3 ACCOUNTING STRUCTURE

8.1 CR3 Assets

All CR3 Assets are in one of the following categories:

Account	Description		Account	Description
101	Electric Plant In Service (EPIS)		154	Inventory
107	Construction Work In Progress (CWIP)		163	Stores
106	Capital Cost Not Classified (CCNP)		183	Study

The financial analyst will determine which of the following accounts a Capital Sale will be credited to:

Credit Account	Description
20100423 - SLVGE	Capital Co-Owned
20100426 - SLVGE	Capital Non-Co-Owned
EPU - DISP	EPU
20069122 - SLVGE	EPU POD

Stores Loading rate is not added to Capital items when sold internally to a Duke Energy Affiliate or to Duke Energy Florida.

8.2 CR3 Inventory

All inventory sales are credited as follows:

Credit Account	Description
20016324	Inventory

Stores Loading rate is included on all inventory sales and transfers.

8.3 CR3 Tax Collection

8.3.1 When is Sales Tax Collected

All Duke entities are required by the various states in which they operate to collect sales tax on the sales of used equipment ***unless*** the customer can prove their exemption. Transactions can be exempt because of who the customer is or because of how the customer will be using the item purchased. In either case, the customer would

need to provide exemption documentation to in order to avoid having sales tax added to their bill.

Below are examples of common exemptions:

Entity Based Exemption	**Use Based Exemptions**
Government Entities	Reselling
Nonprofits	Manufacturing
Religious Organization	Research and Development
Educational Institutions	Utility use

Exemptions and exemption documentation will vary from state to state. Not every state will recognize all the exemptions above. When exemption documentation is received verify that it is properly completed and retain a copy for audit purposes. (Some exemption documentation may need to be signed or have an explanation.)

8.3.2 Accounting Structure for Collecting Sales Tax

Operating Unit	0193
Responsibility Center	0193
Location	002090209 (Citrus County, Florida)
GL Account	0241320
Resource Type	99810

Other counties and municipalities and special tax collection rates use different location codes.

All Florida counties and special tax situations will be coded into “The Retail Solution”.

8.3.3 Collecting Sales Tax

Sales for equipment and materials at Crystal River will be made using “The Retail Solution”, the software point of sale system used by Asset Recovery. Before any sale can be made to a customer, a record is created for the customer that includes basic information, such as name, address, phone number, etc. Also included is information pertinent to the collection of state and county sales tax:

a. Tax Location – The tax location is where the sale occurs. In the case of Crystal River, all sales will be completed from Citrus County. Tax coding will be coded in “The Retail Solution” for all municipalities, and the system will calculate the appropriate rate of tax for the sale. If sales are made from other counties, we will provide the necessary coding in “The Retail Solution” to handle these collections as well.

b. Tax Exempt – If the customer is exempt from payment of sales taxes, they must provide Duke Energy exemption documentation (see above). The exemption documentation will include a number, which is recorded in “The Retail Solution”, and the customer record will be coded “no tax”. When sales are processed, the system will not calculate sales tax based on this coding. noted above, Duke Energy must keep a record of the exemption certificate on file for audit purposes.

Sales tax is collected in the county in which the sale is made. For sales made from Crystal River, all applicable tax will be collected and submitted back to Citrus County.

A journal entry is created using a report from "The Retail Solution", in which the funds collected for specific sales will be credited to the appropriate accounting. Funds collected for Florida tax receipts will be credited to the appropriate tax accounting.

8.3.4 How Sales Tax is Handled Through an External Auction Company

The auction company is responsible for verification of the taxable status of the auction registrant. If the auction registrant provides proof of exemption to the auction company, not sales tax is collected or paid to the state or municipality from the sale. If the auction registrant is not tax-exempt, the auction company collects the sales tax from the location from which the sale was actually made.

9.0 SHAREPOINT

9.1 File Naming Convention

Every document shall have the Identification number, which corresponds to the Sales Tracking Database on the Investment Recovery SharePoint Site, and a brief description of the Document type. The following protocol shall be utilized to name files within the Investment Recovery Sales SharePoint Site:

Sale Type	Document Title	Document Title Example
Affiliate Asset Transfers	E-Form Folder Number_Document Title	Efr152v1-000982_eform Efr152v1-000982_AI9010
Florida – Internal Duke	FID Number_Document Title	FID00001_AI9010 FID00001_emails
Inter-Utility (RAPID)	RAPID ID Number_Document Title	R251752_PO R251752_AI9010
Non-Duke (3rd party)	Contract/PO Number_Document Title	ND178596_PO ND178596_AI9010
Salvage	Salvage Number_Document Title	SLVG00001_AI9010 SLVG00001_emails
Disposition – Not Sold	Not Sold Number_Document Title	NS00001_emails
Donations	Donation Number_Document Title	DON00001_AI9010 DON00001_letter
Disposal	Disposal Number_Document Title	DIS00001_AI9010 DIS00001_emails

* Additional documentation for complete sale may be required as delineated in this guidance document.

9.2 File Structure

The file structure, Attachment B, is a quick reference tool designed to assist the project team in determining where documents are stored.

10.0 DEFINITIONS

Duke Affiliate Sale: Any sale which occurs internally between regulated, non-regulated and non-utility affiliate within the Duke Energy organization. These sales require an

Affiliate Asset Transfer Form and consist of moving material outside of the state of Florida.

Duke Florida Internal Sale: Any sale or transfer which occurs internally between regulated, non-regulated and non-utility group within the Duke Energy Florida organization.

Duke Inter-Utility (RAPID) Sale: Any sale which occurs externally between regulated and non-regulated Utilities under the Terms and Conditions as defined on the Readily Accessible Parts Integrated Database (RAPID) web site. (Initiated by the Purchasing utility).

Duke External Third Party Sale: Any sale which occurs externally between regulated, non-regulated and non-utility companies. (Initiated by CR3 IRST).

Duke Salvage Sale: Any sale which occurs externally between a Duke Energy approved salvage company. Material will be sold by Duke Energy Asset Recovery.

Material Request: The process used when material is transferred within the Duke Energy Enterprise, may be used when plants have common CAT IDs but must be used if a no common CAT ID is available.

Pick Ticket or Transfer: The process used when material is transferred within the Duke Energy Enterprise and a common CAT ID is available. Should be initiated by shipping site.

PowerAdvocate: A sourcing website which allows the sales team to provide all pertinent information to the bidders, allows for communication between bidder and seller and accepts all bids and bidder exceptions. PowerAdvocate sourcing tool should be used when the estimated value, CUP or Combined CUP of material is greater than or equal to one hundred thousand dollars (≥ $100,000).

SharePoint: a web based collaboration tool which allows the Project team and work group to perform more effectively by providing a central, virtual location for sharing of information quickly.

11.0 REFERENCES

AI-9010 – Conduct of CR3 Investment Recovery

Affiliate Asset Transfer Form – Enterprise Forms

SCD211, Rev. 1 Affiliate Asset Transfer Transactions

Investment Recovery Project, Project Assurance Plan

MCP-NGGC-0001 – NGG Contract Initiation, Development and Administration

MCP-NGGC-0401 – Material Acquisition (Procurement, Receiving, and Shipping)

12.0 ATTACHMENTS

Attachment A: Affiliate Asset Transfer Information Section eForm Template

Attachment B: IRP Sales Document Retention File Structure

Attachment C: Sales Track Quick Reference Guide

Attachment D: SharePoint Documentation Package Checklist

Sales Guidance and Documentation Package Development

Attachment A: **Affiliate Asset Transfer Information Section eForm Template**

Use this Template as a "copy/paste" tool while completing the Affiliate Asset Transfer eForm, "Asset Transfer Information Section."

CAT ID #'s (NAS & Passport):

Item Description:

Qty transferring:

Capital Item?:

Safety Related?: (If Yes, provide Suitability or PEEVAL # & UTC #)

Contacts at Sending & Receiving locations:

Issue Accounting:

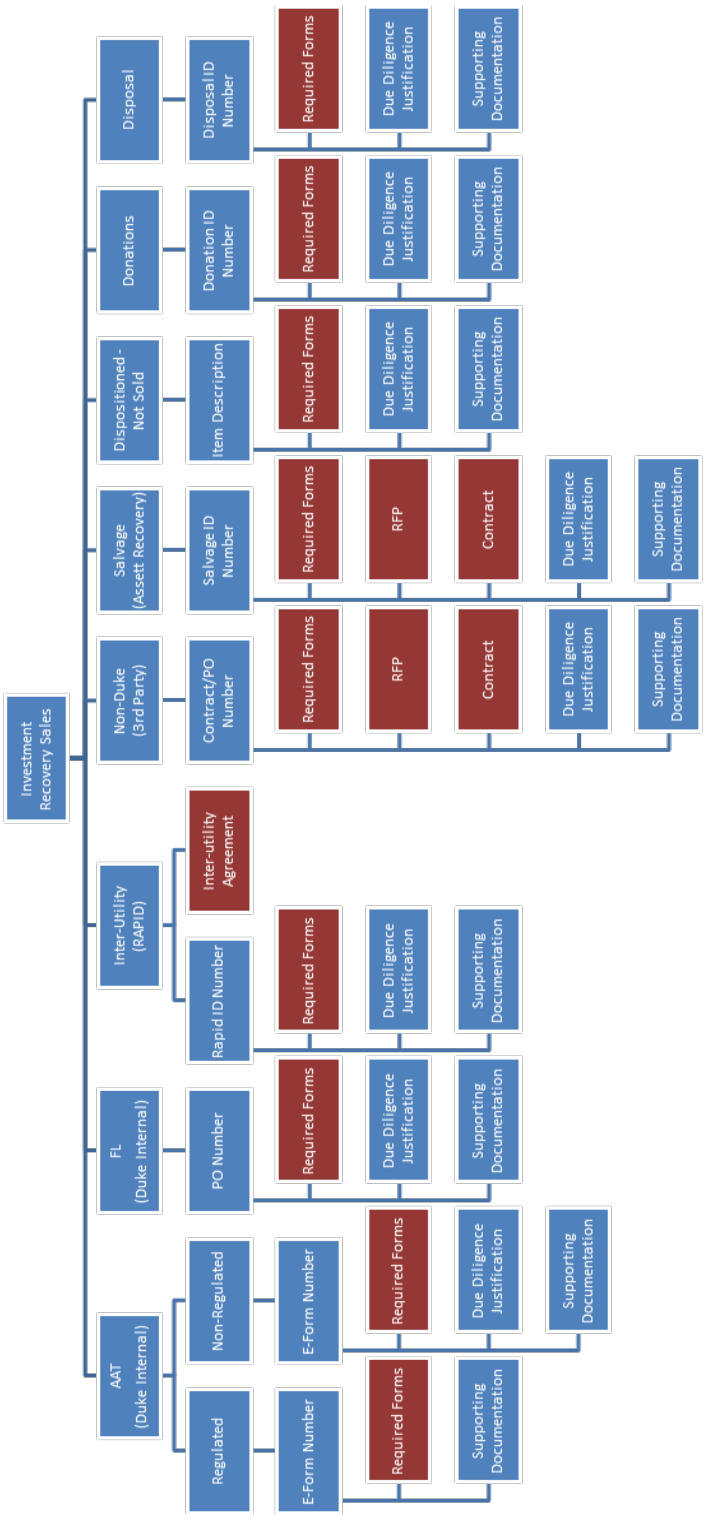
Receiving Accounting:

For transactions between DEF & DEP, note MR #.

Shipping Instructions:

Sales Guidance and Documentation Package Development

Attachment B: Investment Recovery Sales Document Retention File Structure



Sales Guidance and Documentation Package Development

Sales Guidance and Documentation Package Development

Attachment D: SharePoint Documentation Package Checklist

Sale ID No.:_____

Sale Date:_____

		AI-9010, Attachment 1	AI-9010 Attachment 2*	Material Request*	Issue Ticket*	Shipping documentation*	Copy of invoice Proof of Payment	E-mails	AAT eForm	Buyer Contract Purchase Order	Tax exempt form	RFP Documents	RFP Review	RFP Justification
☐	Affiliate	☐	☐	☐	☐	☐	☐	☐	☐					
☐	DEF	☐	☐	☐	☐	☐	☐	☐						
☐	RAPID	☐	☐	☐	☐	☐	☐	☐		☐	☐			
☐	External	☐	☐	☐	☐	☐	☐	☐		☐	☐	☐	☐	☐
☐	Salvage	☐	☐	☐	☐	☐	☐	☐		☐	☐	☐	☐	☐
☐	Scrap	☐	☐	☐	☐	☐	☐	☐		☐	☐	☐	☐	☐

*Documents may not be required for all sales or transfers

Originator: _____

☐ Final Date: _____

☐ Draft

☐ EPU

☐ Non-EPU

Integrated Change Form (ICF)

REDACTED

DATE INITIATED	July 15, 2014	TYPE OF CHANGE	
INITIATOR	Jeff LaPratt	CONTRACT/PO#	
MAJOR CONTRACTOR	N/A	ICF NUMBER	
ICF TITLE	IRP Auction		

[redacted]

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET: 150148-EI EXHIBIT: 17
PARTY: DUKE ENERGY FLORIDA, INC. (DEF)
– (DIRECT)
DESCRIPTION: Mark Teague MT-4

Integrated Change Form (ICF)

REDACTED

DATE INITIATED	July 15, 2014	TYPE OF CHANGE	
INITIATOR	Jeff LaPratt	CONTRACT/PO#	
MAJOR CONTRACTOR	N/A	ICF NUMBER	
ICF TITLE	IRP Auction		

Approve ICF

[redacted]

REASON FOR CHANGE (CHECK ALL THAT APPLY)

OWNER		REGULATORY		OTHER:_____	
ENGINEER		VENDOR / NAME			
CONSTRUCTION		OTHER / DESCRIBE		DESCRIBE:	

COST IMPACT

CRAFT LABOR	CRAFT	HOURS	RATE		TOTAL

MATERIALS	DESCRIPTION	QTY	COST	TOTAL
	N/A			

EQUIPMENT	DESCRIPTION	QTY	COST	TOTAL
	N/A			

SUB CONTRACTOR	DESCRIPTION	COST	TOTAL
	N/A		

PROF. SERVICES	DESCRIPTION	TOTAL

TOTAL IMPACT COST	

ESTIMATED BY:		DATE	

REDACTED

Integrated Change Form (ICF)

DATE INITIATED	July 15, 2014	TYPE OF CHANGE	
INITIATOR	Jeff LaPratt	CONTRACT/PO#	
MAJOR CONTRACTOR	N/A	ICF NUMBER	
ICF TITLE	IRP Auction		

IRP Auction Justification

[redacted]

REDACTED

Integrated Change Form (ICF)

DATE INITIATED	July 15, 2014	TYPE OF CHANGE	
INITIATOR	Jeff LaPratt	CONTRACT/PO#	
MAJOR CONTRACTOR	N/A	ICF NUMBER	
ICF TITLE	IRP Auction		

Governance / Plan

[redacted]

[redacted]

REDACTED

Integrated Change Form (ICF)

DATE INITIATED	July 15, 2014	TYPE OF CHANGE	
INITIATOR	Jeff LaPratt	CONTRACT/PO#	
MAJOR CONTRACTOR	N/A	ICF NUMBER	
ICF TITLE	IRP Auction		

[redacted]

REDACTED

Integrated Change Form (ICF)

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MAJOR CONTRACTOR	N/A	ICF NUMBER	
ICF TITLE	IRP Auction		

[redacted]

Estimated Up-front Nuclear Asset-Recovery Bond Issuance Costs

Line No.	Description	Lower End of Range	(1) Estimate as of September 30, 2015	Upper End of Range
1	Underwriting Fees and Expenses	$ 4,778,848	$ 5,178,848	$ 6,473,560
2	Servicer Set-up Fees (including Information Technology Programming	900,000	900,000	2,900,000
3	Legal Fees	1,900,000	2,300,000	2,700,000
4	Rating Agency Fees	1,128,500	1,564,250	2,000,000
5	Commission Financial Advisor Fee	500,000	850,000	1,200,000
6	DEF Structuring Advisor Fee	400,000	400,000	600,000
7	Auditor Fees	170,000	212,500	255,000
8	SEC Fees	150,446	150,446	150,446
9	SPE Set-up Fee	20,000	60,000	100,000
10	Marketing and Miscellaneous Fees and Expenses - to be determined	-	45,000	90,000
11	Printing/Edgarizing Fee	20,000	25,000	30,000
12	Trustee/Trustee Counsel Fees and Expenses	10,000	17,500	25,000
13	Original Issue Discount - to be determined	-	-	-
14	Other Ancillary Agreements - to be determined	-	-	-
	Total	$ 9,977,794	$ 11,703,544	$ 16,524,006
	Estimated CR3 Regulatory Asset, as of 12/31/15	$ 1,283,012,000		
	Estimated carrying costs subsequent to 12/31/15 to bond issuance date	TBD		
	Estimated Up-front Bond Issuance Costs Included in Proposed Structure (approximates current best estimate)	11,700,000		
	Estimated Principal Amount of Nuclear Asset-Recovery Bonds	$ 1,294,712,000		

(1) Estimate for Underwriting Fees and Expenses is based on 40 bps, with no crediting of Morgan Stanley structuring advisor fee.
Items 3, 4, 5, 7, 9, 10, 11, and 12 are based on the average of the lower end and higher end estimates as submitted in July 2015.
Items 2, 6, and 8 can be more accurately estimated as of 9/30/2015 and thus reflect current best estimates.

Estimated Annual Ongoing Financing Costs

Line No.	Description	Lower End of Range	Upper End of Range
1	Servicing Fee [(1)]	$ 647,356	$ 7,768,272
2	Return on Invested Capital	238,227	238,227
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	$ 1,155,116	$ 8,391,832
	Amount used in developing annual revenue requirement estimates, as an approximation of the lower end of the range (i.e. continually evolving estimate) - $575,000 semi-annually	$ 1,150,000	

[(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]

TABLE OF CONTENTS

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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	(c)	10.06

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.

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

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%	$56,889,096	19,495,155	**0.292**	**0.284%**	**0.072%**	**0.293**
General Service Non-Demand							
GS-1, GST-1							
Secondary			1,575,864	**0.236**	**0.284%**	**0.072%**	**0.237**
Primary			8,616	**0.234**	**0.284%**	**0.072%**	**0.234**
Transmission			3,564	**0.231**	**0.284%**	**0.072%**	**0.232**
TOTAL GS	4.010%	$3,748,716	**1,588,044**				
General Service							
GS-2 Secondary	0.284%	$265,854	165,610	**0.161**	**0.284%**	**0.072%**	**0.162**
General Service Demand							
GSD-1, GSDT-1, SS-1							
Secondary			12,013,676	**0.201**	**0.284%**	**0.072%**	**0.202**
Primary			2,384,319	**0.199**	**0.284%**	**0.072%**	**0.200**
Transmission			10,895	**0.197**	**0.284%**	**0.072%**	**0.198**
TOTAL GSD	30.991%	$28,969,779	**14,408,890**				
Curtailable							
CS-1, CST-1, CS-2, CST-2, CS-3, CST-3, SS-3							
Secondary			-	**0.137**	**0.284%**	**0.072%**	**0.137**
Primary			121,778	**0.136**	**0.284%**	**0.072%**	**0.136**
Transmission			-	**0.134**	**0.284%**	**0.072%**	**0.135**
TOTAL CS	0.178%	$166,691	**121,778**				
Interruptible							
IS-1, IST-1, IS-2, IST-2, SS-2							
Secondary			89,382	**0.164**	**0.284%**	**0.072%**	**0.165**
Primary			1,588,841	**0.162**	**0.284%**	**0.072%**	**0.163**
Transmission			316,913	**0.161**	**0.284%**	**0.072%**	**0.161**
TOTAL IS	3.504%	$3,275,385	**1,995,136**				
Lighting							
LS-1 Secondary	0.173%	$161,683	385,378	**0.042**	**0.284%**	**0.072%**	**0.042**
Total	100.000%	$93,477,204	38,159,991	**0.245**	**0.284%**	**0.072%**	**0.246**

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

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MO Exhibits – Securitization – Updated Oct 2015.xlsx

(millions, except per kWh charges)

	2016 [1]	2017	2018	2019	2020 [1]	2021	2022	2023	2024 [1]	2025	2026
Beginning Bal	$1,283	$1,219	$1,155	$1,091	$1,026	$962	$898	$834	$770	$706	$642
Amort	64	64	64	64	64	64	64	64	64	64	64
Ending Bal	1,219	1,155	1,091	1,026	962	898	834	770	706	642	577
Average Bal	1,251				994				738		
WACC	8.12%				8.12%				8.12%		
Return on RB	104	107	108	110	81	82	83	85	60	61	62
Amort	64	64	64	64	64	64	64	64	64	64	64
Revenue	$168	$171	$172	$174	$145	$146	$147	$149	$124	$125	$127
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)	0.441	0.441	0.441	0.441	0.362	0.362	0.362	0.362	0.299	0.299	0.299
Resid Rate (¢/kWh)	0.496	0.496	0.496	0.496	0.408	0.408	0.408	0.408	0.336	0.336	0.336

	2027	2028 [1]	2029	2030	2031	2032 [1]	2033	2034	2035	Total
Beginning Bal	$577	$513	$449	$385	$321	$257	$192	$128	$64	
Amort	64	64	64	64	64	64	64	64	64	
Ending Bal	513	449	385	321	257	192	128	64	0	
Average Bal		481				225				
WACC		8.12%				8.12%				
Return on RB	64	39	40	41	42	18	19	20	21	$1,248
Amort	64	64	64	64	64	64	64	64	64	1,283
Revenue	$128	$103	$104	$105	$106	$82	$83	$84	$85	$2,531
MWH Sales	42.74	43.17	43.60	44.03	44.47	44.92	45.37	45.82	46.28	
Retail Rate - Avg. (¢/kWh)	0.299	0.239	0.239	0.239	0.239	0.183	0.183	0.183	0.183	
Resid Rate (¢/kWh)	0.336	0.269	0.269	0.269	0.269	0.206	0.206	0.206	0.206	

[1] Per Revised and Restated Stipulation and Settlement Agreement, Paragraph 5.g., approved in Order No. PSC-13-0598-FOF-EI

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET: 150148-EI EXHIBIT: 27
PARTY: DUKE ENERGY FLORIDA, INC. (DEF) – (DIRECT)
DESCRIPTION: Marcia Olivier MO-2A

Securitization Proposal ($ millions, except per kWh charges and typical bill impact)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Nuclear Asset-Recovery Bonds [1]											
Beginning Balance	$1,295	$1,279	$1,226	$1,173	$1,119	$1,064	$1,008	$950	$891	$829	$766
Principal Payment	(16)	(53)	(53)	(54)	(55)	(56)	(58)	(59)	(61)	(63)	(65)
Ending Balance	$1,279	$1,226	$1,173	$1,119	$1,064	$1,008	$950	$891	$829	$766	$701
Nuclear Asset-Recovery Charge [1]											
Principal Payment	$16	$53	$53	$54	$55	$56	$58	$59	$61	$63	$65
Interest on Bonds	30	40	39	38	37	36	35	33	31	29	27
Ongoing Costs	1	1	1	1	1	1	1	1	1	1	1
Partial Year Payment Lag	47	-	-	-	-	-	-	-	-	-	-
Total Nuclear Asset-Recovery Charge	$93	$93	$93	$93	$93	$93	$93	$93	$93	$93	$93
Retail MWH Sales	38	39	39	39	40	40	41	41	41	42	42
Retail Rate - Avg. (¢/kWh)	0.245	0.241	0.239	0.237	0.234	0.232	0.230	0.227	0.225	0.223	0.221
Residential Revenue Req. (MO-1A)	57	57	57	57	57	57	57	57	57	57	57
Residential MWH Sales	19	20	20	20	20	21	21	21	21	22	22
Residential Rate - Avg. (¢/kWh)	0.293	0.287	0.285	0.282	0.279	0.276	0.273	0.270	0.266	0.264	0.261

	2027	2028	2029	2030	2031	2032	2033	2034	2035	Total
Nuclear Asset-Recovery Bonds [1]										
Beginning Balance	$701	$633	$564	$492	$417	$340	$260	$176	$90	
Principal Payment	(67)	(70)	(72)	(75)	(77)	(80)	(83)	(86)	(90)	
Ending Balance	$633	$564	$492	$417	$340	$260	$176	$90	$0	
Nuclear Asset-Recovery Charge [1]										
Principal Payment	$67	$70	$72	$75	$77	$80	$83	$86	$90	$1,295
Interest on Bonds	25	23	20	18	15	12	9	6	3	$505
Ongoing Costs	1	1	1	1	1	1	1	1	1	$23
Partial Year Payment Lag	-	-	-	-	-	-	-	-	(47)	$0
Total Nuclear Asset-Recovery Charge	$93	$93	$93	$93	$93	$93	$93	$93	$47	$1,823
Retail MWH Sales	43	43	44	44	44	45	45	46	46	
Retail Rate - Avg. (¢/kWh)	0.219	0.217	0.214	0.212	0.210	0.208	0.206	0.204	0.100	
Residential Revenue Req. (MO-1A)	57	57	57	57	57	57	57	57	57	
Residential MWH Sales	22	22	23	23	23	23	23	24	24	
Residential Rate - Avg. (¢/kWh)	0.259	0.256	0.254	0.251	0.249	0.246	0.244	0.241	0.239	

[1] Agrees to the amounts on Exhibit No. (PC-1) Semi-Annual Revenue Requirement as revised in October 2015.

Filed in Attachment A, Exhibit 1, page 12 of DEF's Motion for Approval of Stipulation and For Relief from Rebuttal Testimony Deadline Set Forth in Order Establishing Procedure; Docket 150171.

Line No.	Rate Schedule	(1) Billed Sales (MWH) *	(2) Customer Charge ($000) **	(3) Demand and Energy Charge ($000) **	(4) Total Base Revenue Billed ($000) (2) + (3)	(5) Demand and Energy Charge ($/MWH) (3) / (1)	(6) Unbilled Sales (MWH) **	(7) Unbilled Revenue ($000) (5) x (6)	(8) Total Class Revenue ($000) (4) + (7)	(9) Total Demand and Energy Revenue Including Unbilled ($000) (3) + (7)	(10) Base Rate Increase at Uniform Percent ($000) 9.96% (9) x %	(11) Total Class Revenue with Increase ($000) (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	$105,423	$1,324,313
2	GS-1	1,588,204	17,096	84,921	102,017	53.47	7,215	386	102,403	85,307	8,500	110,903
3	GS-2	165,610	1,872	3,391	5,262	20.47	842	17	5,280	3,408	340	5,619
4	GSD-1	14,413,009	8,906	476,447	485,353	33.06	65,304	2,159	487,512	478,606	47,688	535,200
5	CS-1, CS-2, CS-3	119,488	5	3,472	3,477	29.05	305	9	3,485	3,480	347	3,832
6	IS-1, IS-2, IS-3	1,840,259	606	44,533	45,140	24.20	5,175	125	45,265	44,659	4,450	49,714
7	SS-1	20,186	25	993	1,018	49.20	66	3	1,021	996	99	1,120
8	SS-2	177,394	18	5,247	5,264	29.58	470	14	5,278	5,261	524	5,802
9	SS-3	3,520	1	468	469	132.97	13	2	471	470	47	517
10	LS-1	385,378	0	9,138	9,138	23.71	1,478	35	9,173	9,173	914	10,087
11	TOTAL	38,208,203	$189,360	$1,681,000	$1,870,360		185,854	$8,417	$1,878,777	$1,689,417	$168,331	$2,047,108

* Based on 2016 MWH sales forecast in 2015 Ten Year Site Plan used in NCRC May 1, 2015 projection filing

** Based on revenue forecast consistent with 2016 MWH sales forecast in 2015 Ten Year Site Plan used in NCRC May 1, 2015 projection filing

¶ 5e. Recovery of the CR3 Regulatory Asset:	$168,331

Residential 1st Tier Rate Impact:	Current ($/mwh)	Increase ($/mwh)	Proposed ($/mwh)
Cust Charge	$8.76		$8.76
Energy Charge	$49.74	$4.96	$54.70
Total Charge	$58.50	$4.96	$63.46

Docket No. 150171
Witness: Olivier
Exhibit No. _____ (MO-4A)
Comparison between Proposed Nuclear Asset-Recovery Charge
and Traditional Recovery Method by Rate Schedule

Revised 10/8/15

Line No.	Rate Schedule	Nuclear Asset-Recovery Charge (¢/kWh)	Traditional Recovery Method (¢/kWh) [1]	Difference (¢/kWh)	Difference (%)
1	RS-1	0.293	0.496	(0.203)	-41%
2	GS-1	0.237	0.538	(0.302)	-56%
3	GS-2	0.162	0.204	(0.042)	-21%
4	GSD-1	0.202	0.329	(0.128)	-39%
5	CS-1, CS-2, CS-3	0.137	0.289	(0.152)	-53%
6	IS-1, IS-2, IS-3	0.165	0.241	(0.077)	-32%
7	SS-1	0.202	0.490	(0.288)	-59%
8	SS-2	0.165	0.295	(0.130)	-44%
9	SS-3	0.137	1.325	(1.187)	-90%
10	LS-1	0.042	0.212	(0.170)	-80%

[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.

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET: 150148-EI EXHIBIT: 30
PARTY: DUKE ENERGY FLORIDA, INC.
(DEF) – (DIRECT)
DESCRIPTION: Marcia Olivier MO-4A

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET: 150148-EI EXHIBIT: 31
PARTY: DUKE ENERGY FLORIDA, INC.
(DEF) – (DIRECT)
DESCRIPTION: Marcia Olivier MO-5A

Docket No. 150171
Witness: Olivier
Exhibit No. _____ (MO-5A)
Sample Bill Calculations

Revised 10/8/15

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	39.9%
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	34.7%
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	0.293	¢/kWh	2.93	2.4%
30	Subtotal			$121.48	
31	Gross Receipts Tax	2.5641%		3.11	2.5%
32	**Total Bill**			**$124.59**	
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	5.470	¢/kWh	54.70	43.2%
39	All kWh above 1,000	6.967	¢/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			$123.51	
47	Gross Receipts Tax	2.5641%		3.17	2.5%
48	**Total Bill**			**$126.68**	
49					
50	**Difference**			**($2.09)**	

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	45.1%
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	0.202	¢/kWh		33.92	2.0%
24	Subtotal				$1,686.18	
25	Gross Receipts Tax	2.5641%			43.24	2.5%
26	**Total Bill**				**$1,729.42**	
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	5.56	$/kW		278.21	15.8%
32	Non-fuel Energy	2.481	¢/kWh		416.52	23.7%
33	Fuel	4.647	¢/kWh		780.23	44.4%
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				$1,715.21	
38	Gross Receipts Tax	2.5641%			43.98	2.5%
39	**Total Bill**				**$1,759.19**	
40						
41	**Difference**				**($29.77)**	

Large Industrial Customer (GSDT-1)
10,000 kW, 80% Load Factor, Transmission Voltage

Line No.					Amount	% of Bill
1	AT CURRENT RATES					
2						
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	8.0%
28	Delivery Voltage Credit	1.49	$/kW		(14,900.00)	-3.2%
29	Non-fuel Energy					
30	On-peak	4.911	¢/kWh		74,389.37	15.8%
31	Off-peak	0.824	¢/kWh		35,640.06	7.6%
32	Metering Voltage Adjustment	2.0%			(2,902.59)	-0.6%
33	Fuel					
34	On-peak	6.130	¢/kWh		92,854.18	19.7%
35	Off-peak	3.812	¢/kWh		164,878.53	34.9%
36	ECCR	0.77	$/kW		7,700.00	1.6%
37	CCR	3.28	$/kW		32,800.00	7.0%
38	ECRC	0.126	¢/kWh		7,358.40	1.6%
39	Asset Securitization Charge	0.198	¢/kWh		11,563.20	2.5%
40	Subtotal				$460,111.47	
41	Gross Receipts Tax	2.5641%			11,797.72	2.5%
42	**Total Bill**				**$471,909.19**	
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		13,635.52	2.9%
49	On-peak	4.13	$/kW		41,346.41	8.7%
50	Delivery Voltage Credit	1.64	$/kW		(16,384.62)	-3.5%
51	Non-fuel Energy					
52	On-peak	5.400	¢/kWh		81,801.43	17.2%
53	Off-peak	0.906	¢/kWh		39,191.19	8.3%
54	Metering Voltage Adjustment	2.0%			(3,191.80)	-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				$462,719.56	
62	Gross Receipts Tax	2.5641%			11,864.59	2.5%
63	**Total Bill**				**$474,584.15**	
64						
65	**Difference**				**($2,674.96)**	

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[2] ¢/ kWh	CCR[2] $/ 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	0.293
< 1000	4.323								
> 1000	5.323								
GS-1, GST-1									
Secondary	4.605	6.198	3.854	0.231	-	1.030	-	0.133	0.237
Primary	4.559	6.136	3.816	0.229	-	1.020	-	0.132	0.234
Transmission	4.513	6.074	3.777	0.226	-	1.009	-	0.130	0.232
GS-2 (Sec.)	4.605	-	-	0.179	-	0.701	-	0.125	0.162
GSD-1, GSDT-1, SS-1*									
Secondary	4.647	6.255	3.890	-	0.79	-	3.35	0.129	0.202
Primary	4.601	6.193	3.851	-	0.78	-	3.32	0.128	0.200
Transmission	4.554	6.130	3.812	-	0.77	-	3.28	0.126	0.198
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	0.137
Primary	4.601	6.193	3.851	-	0.59	-	2.20	0.122	0.136
Transmission	4.554	6.130	3.812	-	0.59	-	2.18	0.121	0.135
IS-1, IST-1, IS-2, IST-2, SS-2*									
Secondary	4.647	6.255	3.890	-	0.71	-	2.83	0.122	0.165
Primary	4.601	6.193	3.851	-	0.70	-	2.80	0.121	0.163
Transmission	4.554	6.130	3.812	-	0.70	-	2.77	0.120	0.161
LS-1 (Sec.)	4.332	-	-	0.097	-	0.183	-	0.114	0.042
*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:

Late-filed Exhibit 10
Docket 150171-EI
Updated Exhibit No. PC-1
Deposition of Bryan Buckler

Preliminary Capital Structure (1)(2)(3)(4)(5)

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	135,000,000	2.0	AAA	1.240%	10/1/2016	4/1/2019	31	4/1/2020
A-2	190,110,000	5.0	AAA	2.280%	4/1/2019	10/1/2022	43	10/1/2023
A-3	412,270,000	10.0	AAA	3.200%	10/1/2022	4/1/2029	79	4/1/2030
A-4	557,332,000	16.7	AAA	3.740%	4/1/2029	10/1/2035	79	10/1/2037
Total	**1,294,712,000**	**11.3**		**3.406%**				

Key Items & Assumptions

Servicing Fee	647,356
Other Ongoing Expenses	502,644
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	10/1/2035
Securitization Legal Final	10/1/2037
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 and no collections for the first month of the transaction
4. Total deal size is an estimate and subject to change based on the ongoing discussions between DEF and the Commission
5. Structure is based on the estimated December 31, 2015 regulatory asset balance per the August 31, 2015 stipulation. Upfront and ongoing financing costs are based on the updated Exhibit BB-1 filed in early October 2015. Expense amounts are estimates and subject to change

Morgan Stanley

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	1,294,712,000			1,294,712,000			
1	10/1/2016	1,294,712,000	30,034,024	15,605,068	1,279,106,932	862,500	46,501,592	46,501,592
2	4/1/2017	1,279,106,932	19,925,931	24,046,220	1,255,060,712	575,000	44,547,151	
3	10/1/2017	1,255,060,712	19,776,844	28,578,209	1,226,482,503	575,000	48,930,053	93,477,204
4	4/1/2018	1,226,482,503	19,599,660	24,366,450	1,202,116,053	575,000	44,541,110	
5	10/1/2018	1,202,116,053	19,448,588	28,912,507	1,173,203,546	575,000	48,936,094	93,477,204
6	4/1/2019	1,173,203,546	19,269,330	24,663,664	1,148,539,883	575,000	44,507,994	
7	10/1/2019	1,148,539,883	19,058,320	29,335,890	1,119,203,993	575,000	48,969,210	93,477,204
8	4/1/2020	1,119,203,993	18,723,891	25,399,704	1,093,804,289	575,000	44,698,595	
9	10/1/2020	1,093,804,289	18,434,334	29,769,274	1,064,035,014	575,000	48,778,609	93,477,204
10	4/1/2021	1,064,035,014	18,094,965	25,608,250	1,038,426,764	575,000	44,278,215	
11	10/1/2021	1,038,426,764	17,803,031	30,820,958	1,007,605,806	575,000	49,198,989	93,477,204
12	4/1/2022	1,007,605,806	17,451,672	26,424,347	981,181,459	575,000	44,451,019	
13	10/1/2022	981,181,459	17,150,434	31,300,751	949,880,708	575,000	49,026,185	93,477,204
14	4/1/2023	949,880,708	16,702,888	27,095,916	922,784,792	575,000	44,373,804	
15	10/1/2023	922,784,792	16,269,353	32,259,047	890,525,745	575,000	49,103,400	93,477,204
16	4/1/2024	890,525,745	15,753,208	28,171,026	862,354,718	575,000	44,499,235	
17	10/1/2024	862,354,718	15,302,472	33,100,497	829,254,221	575,000	48,977,969	93,477,204
18	4/1/2025	829,254,221	14,772,864	28,969,109	800,285,112	575,000	44,316,973	
19	10/1/2025	800,285,112	14,309,358	34,275,873	766,009,239	575,000	49,160,231	93,477,204
20	4/1/2026	766,009,239	13,760,944	30,066,796	735,942,443	575,000	44,402,741	
21	10/1/2026	735,942,443	13,279,875	35,219,588	700,722,855	575,000	49,074,463	93,477,204
22	4/1/2027	700,722,855	12,716,362	31,068,365	669,654,490	575,000	44,359,728	
23	10/1/2027	669,654,490	12,219,268	36,323,208	633,331,282	575,000	49,117,476	93,477,204
24	4/1/2028	633,331,282	11,638,097	32,268,297	601,062,985	575,000	44,481,394	
25	10/1/2028	601,062,985	11,121,804	37,299,006	563,763,979	575,000	48,995,810	93,477,204
26	4/1/2029	563,763,979	10,525,020	33,201,749	530,562,229	575,000	44,301,770	
27	10/1/2029	530,562,229	9,921,514	38,678,921	491,883,308	575,000	49,175,434	93,477,204
28	4/1/2030	491,883,308	9,198,218	34,617,759	457,265,549	575,000	44,390,977	
29	10/1/2030	457,265,549	8,550,866	39,960,361	417,305,188	575,000	49,086,227	93,477,204
30	4/1/2031	417,305,188	7,803,607	35,970,966	381,334,222	575,000	44,349,573	
31	10/1/2031	381,334,222	7,130,950	41,421,681	339,912,541	575,000	49,127,631	93,477,204
32	4/1/2032	339,912,541	6,356,365	37,541,959	302,370,582	575,000	44,473,324	
33	10/1/2032	302,370,582	5,654,330	42,774,550	259,596,032	575,000	49,003,880	93,477,204
34	4/1/2033	259,596,032	4,854,446	38,874,768	220,721,264	575,000	44,304,214	
35	10/1/2033	220,721,264	4,127,488	44,470,503	176,250,761	575,000	49,172,990	93,477,204
36	4/1/2034	176,250,761	3,295,889	40,517,292	135,733,469	575,000	44,388,181	
37	10/1/2034	135,733,469	2,538,216	45,975,807	89,757,662	575,000	49,089,023	93,477,204
38	4/1/2035	89,757,662	1,678,468	42,106,685	47,650,977	575,000	44,360,153	
39	10/1/2035	47,650,977	891,073	47,650,977	-	575,000	49,117,051	93,477,204

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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

Q. WHAT IS YOUR OCCUPATION?

A. I am a certified public accountant, licensed in the State of Michigan, and a senior regulatory consultant and Principal of the firm Ramas Regulatory Consulting, LLC, located in Commerce Township, Michigan.

Q. PLEASE DESCRIBE YOUR EDUCATION AND EXPERIENCE.

A. I graduated with honors from Oakland University in Rochester, Michigan in 1991. From 1991 through October 2012, I was employed by the firm of Larkin & Associates, PLLC. In November 2012, I formed Ramas Regulatory Consulting, LLC. As a certified public accountant and regulatory consultant, I have analyzed utility rate cases and regulatory issues, researched accounting and regulatory developments, prepared computer models and spreadsheets, prepared testimony and schedules and testified in regulatory proceedings. While employed by Larkin & Associates, PLLC, I also developed and conducted five training programs on behalf of the Department of Defense - Navy Rate Intervention Office on measuring the financial capabilities of firms bidding on Navy assets and one training program on calculating the revenue requirement for municipal owned water and wastewater utilities. Additionally, I have served as an instructor at the Michigan State University - Institute of Public Utilities as part of their Annual Regulatory Studies programs, Advanced Regulatory Studies Program, and in a Basics of Utility Regulation and Ratemaking course.

I have prepared and submitted expert testimony and/or testified in the following cases, many of which were filed under the name of Donna DeRonne:

Arizona: Ms. Ramas prepared testimony on behalf of the Staff of the Arizona Corporation Commission in the following case before the Arizona Corporation Commission: Southwest Gas Corporation (Docket No. G-01551A-00-0309).

California: Ms. Ramas prepared testimony on behalf of the Division of Ratepayer Advocates of the California Public Utilities Commission in the following cases before the California Public Utilities Commission:

San Gabriel Valley Water Company, Fontana Water Division (Docket No. A.05-08-021), Request for Order Authorizing the Sale by Thames GmbH of up to 100% of the Common Stock of American Water Works Company, Inc., Resulting in Change of Control of California-American Water Company (Application 06-05-025), California Water Services Company (Docket No. 07-07-001*), Golden State Water Company (Docket No. 08-07-010), and Golden State Water Company (Docket No. 11-07-017*), Golden State Water Company – Rehearing (Docket No. 08-07-010*), and California Water Services Company (Docket No. 12-07-007*).

Ms. Ramas also prepared testimony on behalf of the Department of Defense in the following cases before the California Public Utilities Commission: San Diego Gas and Electric Company (Docket No. 98-07-006) and Southern California Edison Company and San Diego Gas & Electric Company (Docket No. 05-11-008*).

Additionally, Ms. Ramas prepared testimony on behalf of the City of Fontana in the following rate cases before the California Public Utilities Commission: San Gabriel Valley Water Company, Fontana Water Division (Docket No. A.08-07-009) - Phases 1 and 2; San Gabriel Valley Water Company, Los Angeles Division (Docket No. A.10-07-019*), and San Gabriel Valley Water Company, Fontana Water Division (Docket No. A.11-07-005).

Ms. Ramas also prepared testimony on behalf of The Utilities Reform Network in the following rate case before the California Public Utilities Commission: California American Water Company (Docket No. 10-07-007).

Colorado: Ms. Ramas prepared testimony on behalf of the Colorado Healthcare Electric Coordinating Council in the following case before the Public Utilities Commission of the State of Colorado: Public Service Company of Colorado (Proceeding No. 14AL-0660E*).

Connecticut: Ms. Ramas has prepared testimony on behalf of the Connecticut Office of Consumers Counsel in the following cases before the State of Connecticut, Department of Public Utility Control:

Connecticut Light & Power Company (Docket No. 92-11-11), Connecticut Natural Gas Corporation (Docket No. 93-02-04), Connecticut Natural Gas Corporation (Docket No. 95-02-07), Southern Connecticut Gas Company (Docket No. 97-12-21), Connecticut Light & Power Company (Docket No. 98-01-02), Southern Connecticut Gas Company (Docket No. 99-04-18

Phase I), Southern Connecticut Gas Company (Docket No. 99-04-18 Phase II), Connecticut Natural Gas Corporation (Docket No. 99-09-03 Phase I), Connecticut Natural Gas Corporation (Docket No. 99-09-03 Phase II), Connecticut Light & Power Company (Docket No. 00-12-01), Yankee Gas Services Company (Docket No. 01-05-19), United Illuminating Company (Docket No. 01-10-10), Connecticut Light & Power Company (Docket No. 03-07-02), Southern Connecticut Gas Company (Docket No. 03-11-20), Yankee Gas Services Company (Docket No. 04-06-01*), The Southern Connecticut Gas Company (Docket No. 05-03-17PH01), The United Illuminating Company (Docket No. 05-06-04), Connecticut Natural Gas Corporation (Docket No. 06-03-04* Phase I), Yankee Gas Services Company (Docket No. 06-12-02PH01*), Aquarion Water Company of Connecticut (Docket No. 07-05-19), Connecticut Light & Power Company (Docket No. 07-07-01), The United Illuminating Company (Docket No. 08-07-04), Connecticut Light & Power Company (Docket No. 09-12-05), and Yankee Gas Services Company (Docket No. 10-12-02).

Ms. Ramas also assisted the Connecticut Office of Consumer Counsel by conducting cross-examination of utility witnesses in the following cases: Southern Connecticut Gas Company (Docket No. 08-12-07), Connecticut Natural Gas Corporation (Docket No. 08-12-06), UIL Holdings Corporation and Iberdrola USA, Inc. (Docket No. 10-07-09), and Northeast Utilities/NSTAR Merger (Docket No. 12-01-07).

Ms. Ramas prepared testimony on behalf of the Connecticut Public Utilities Regulatory Authority Prosecutorial Staff in Docket No. 14-05-06RE01 involving Connecticut Light & Power Company addressing certain accumulated deferred income tax issues that were the subject of a reopening.

Ms. Ramas also assisted the Connecticut Public Utility Regulatory Authority staff in the following cases for which testimony was not provided. As part of the assistance, Ms. Ramas conducted cross examination on behalf of staff: Connecticut Light & Power Company Major Storm case (Docket No. 13-03-23).

District of Columbia: Ms. Ramas prepared testimony on behalf of the Office of the People's Counsel of the District of Columbia in the following case before the Public Service Commission of the District of Columbia: Washington Gas Light Company (Formal Case No. 1054*), Potomac Electric Power Company (Formal Case No. 1076), Potomac Electric Power Company (Formal Case No. 1087), Washington Gas Light Company (Formal Case No. 1093), Potomac Electric Power Company (Formal Case No. 1103), and Exelon Corporation/PHI Holdings, Inc. Merger (Formal Case No. 1119).

Florida: Ms. Ramas prepared testimony on behalf of the Florida Office of Public Counsel in the following cases before the Florida Public Service Commission:

Southern States Utilities (Docket No. 950495-WS), United Water Florida (Docket No. 960451-WS), Aloha Utilities, Inc. – Seven Springs Water Division (Docket No. 010503-WU), Florida Power Corporation (Docket No. 000824-EI*), Florida Power & Light Company (Docket No.

001148-EI**), Tampa Electric Company d/b/a Peoples Gas System (Docket No. 020384-GU*), The Woodlands of Lake Placid, L.P. (Docket No. 020010-WS), Utilities, Inc. of Florida (Docket No. 020071-WS), Florida Public Utilities Company (Docket No. 030438-EI*), The Woodlands of Lake Placid, L.P. (Docket No. 030102-WS), Florida Power & Light Company (Docket No. 050045-EI*), Progress Energy Florida, Inc. (Docket No. 050078-EI*), Florida Power & Light Company (Docket No. 060038-EI), Water Management Services, Inc. (Docket No. 100104-WU), Gulf Power Company (Docket No. 110138-EI), Florida Power & Light Company (Docket No. 120015-EI), Tampa Electric Company (Docket No. 130040-EI)*, Florida Public Utilities Company (Docket No. 140025-EI)*, and Florida Power & Light Company – Fuel Clause (Docket No. 140001-EI).

Illinois: Ms. Ramas prepared testimony on behalf of the Illinois Office of the Attorney General, Apple Canyon Lake Property Owners Association and Lake Wildwood Association, Inc. in the following cases before the Illinois Commerce Commission: Apple Canyon Utility Company (Docket No. 12-0603) and Lake Wildwood Utilities Corporation (Docket No. 12-0604).

Louisiana: Ms. Ramas prepared testimony on behalf of various consumers in the following case before the Louisiana Public Service Commission: Atmos Energy Corporation d/b/a Trans Louisiana Gas Company (Docket No. U-27703*).

Maryland: Ms. Ramas prepared testimony on behalf of the Maryland Office of People's Counsel in the following case before the Public Service Commission of Maryland: Potomac Electric Power Company (Case No. 9336).

Massachusetts: Ms. Ramas prepared testimony on behalf of the Massachusetts Attorney General's Office of Ratepayer Advocacy in the following cases before the Massachusetts Department of Public Utilities: New England Gas Company (DPU 10-114), Fitchburg Electric Company (DPU 11-01), Fitchburg Gas Company (DPU 11-02); NStar/Northeast Utilities Merger (DPU 10-170); and Bay State Gas Company d/b/a Columbia Gas of Massachusetts (DPU 13-75).

New York: Ms. Ramas prepared testimony on behalf of the New York Consumer Protection Board in the following cases before the New York Public Service Commission:
New York State Electric & Gas Corporation (Case No. 05-E-1222), KeySpan Energy Delivery New York and KeySpan Energy Delivery Long Island (Case Nos. 06-G-1185 and 06-G-1186*), Consolidated Edison Company of New York, Inc. (Case No. 06-G-1332*), and Consolidated Edison Company of New York, Inc. (Case No. 07-E-0523).

Nova Scotia: Ms. Ramas prepared testimony on behalf of the Nova Scotia Utility and Review Board – Board Counsel in the following cases: Halifax Regional Water Commission (W-HRWC-R-10); Nova Scotia Power Incorporated (NSPI-P-892*); Heritage Gas Limited (NG-HG-R-11*); NPB Load Retention Rate Application – NewPage Port Hawkesbury Corp. and Bowater Mersey Paper Company Ltd. (NSPI-P-202); Nova Scotia Power Incorporated (NSPI-P-893*);

Halifax Regional Water Commission (HRWC-R-13); and Halifax Regional Water Commission (W-HRWC-R-14*).

North Carolina: Ms. Ramas assisted Nucor Steel-Hertford, A Division of Nucor Corporation in the review of an application filed by Dominion North Carolina Power for an Increase in rates (Docket no. E-22, Sub 459**). The case was settled prior to the submittal of intervenor testimony.

Texas: Ms. Ramas prepared testimony on behalf of the Texas Office of Public Utility Counsel in the following case before the Public Utility Commission of Texas: Southwestern Public Service Company (SOAH Dkt. No. 473-15-1557 / PUC Dkt. No. 40443).

Utah: Ms. Ramas prepared testimony on behalf of the Utah Committee of Consumer Services in the following cases before the Public Service Commission of Utah:

PacifiCorp dba Utah Power & Light Company (Docket No. 99-035-10), PacifiCorp dba Utah Power & Light Company (01-035-01*), PacifiCorp dba Utah Power & Light Company (Docket No. 01-035-23 Interim (Oral testimony)), PacifiCorp dba Utah Power & Light Company (Docket No. 01-035-23**), Questar Gas Company (Docket No. 02-057-02*), PacifiCorp (Docket No. 04-035-42*), PacifiCorp (Docket No. 06-035-21*), Rocky Mountain Power (Docket Nos. 07-035-04, 06-035-163 and 07-035-14), Rocky Mountain Power (Docket No. 07-035-93), Questar Gas Company (Docket No. 07-057-13*), Rocky Mountain Power (Docket No. 08-035-93*), Rocky Mountain Power (Docket No. 08-035-38*), Rocky Mountain Power Company (Docket No. 09-035-23), Questar Gas Company (Docket No. 09-057-16**), Rocky Mountain Power Company (Docket No. 10-035-13), Rocky Mountain Power Company (Docket No. 10-035-38), Rocky Mountain Power Company (Docket No. 10-035-89), Rocky Mountain Power Company (Docket No. 10-035-124*), Rocky Mountain Power Company (Docket No. 11-035-200*), Rocky Mountain Power Company (Docket No. 13-035-184*) and Rocky Mountain Power Company (Docket No. 14-035-147*).

Vermont: Ms. Ramas prepared testimony on behalf of the Vermont Department of Public Service in the following cases before the Vermont Public Service Board: Citizens Utilities Company – Vermont Electric Division (Docket No. 5859), Central Vermont Public Service Corporation (Docket No. 6460*), and Central Vermont Public Service Corporation (Docket No. 6946 & 6988).

Washington: Ms. Ramas prepared testimony on behalf of the Public Counsel Section of the Washington Attorney General's Office in the following case before the Washington Utilities and Transportation Commission: PacifiCorp (Docket UE-090205*), Pacific Power & Light Company (Docket UE-140762 ET AL.) and Avista Corporation (Electric Docket UE-150204 and Natural Gas Docket UE-150205).

West Virginia: Ms. Ramas has prepared testimony on behalf of the West Virginia Consumer Advocate Division in the following cases before the Public Service Commission of West Virginia: Monongahela Power Company (Case No. 94-0035-E-42T), Potomac Edison Company (Case No. 94-0027-E-42T), Hope Gas, Inc. (Case No. 95-0003-G-42T*), and Mountaineer Gas Company (Case No. 95-0011-G-42T*).

* Case Settled / ** Testimony not filed/submitted due to settlement

Duke Energy Florida
Summary of Adjustments to CR3 Regulatory Asset

Docket No. 150148-EI
Adjustments to CR3 Regulatory Asset
Exhibit DMR-2

Line	Description	Amount	Exh. DMR-2 Reference:	Where included by DEF on Exh. No. (MO-2)
1	Remove 2012 Property Tax Deferral, net of Citrus Refund	(5,585,240)	Page 2	Deferred Expenses
2	Remove Property Taxes for January 2013, net of Citrus Refund	(383,745)	Page 2	Deferred Expenses
3	Additional 2013 nuclear O&M expenses	463,499	Testimony	Deferred Expenses
4	- Impact on Regulatory Liability	463,499	Testimony	Deferred Expenses
5	Remove Moving Expenses for non-CR3 employees	(64,799)	Testimony	Deferred Expenses
6	- Impact on Regulatory Liability	(64,799)	Testimony	Deferred Expenses
7	Remove Unsupported Moving Expense Accruals	(207,466)	Page 3	Deferred Expenses
8	- Impact on Regulatory Liability	(207,466)	Testimony	Deferred Expenses
9	Meals/Lodging/Travel correction	(11,705)	Testimony	Deferred Expenses
10	- Impact on Regulatory Liability	(11,705)	Testimony	Deferred Expenses
11	Remove Legal Costs	(656,779)	Testimony	Delam Repair Project
12	Correction to Cost of Removal	(549,820)	Testimony	Cost of Removal Reg Asset
13	Impact of Above Adjustments on Cumulative AFUDC	(1,458,000)	Page 4	Cumulative AFUDC
14	Adjustments to CR3 Regulatory Asset	$ (8,274,526)		
15	CR3 Regulatory Asset, per DEF Filing - Exh. No.__(MO-2)	1,298,012,000		
16	CR3 Regulatory Asset, as Adjusted	1,289,737,474		

Duke Energy Florida
Remove Property Taxes Outside Deferral Period

Docket No. 150148-EI
Adjustments to CR3 Regulatory Asset
Exhibit DMR-2

Line	Description	Amount
	Calculation of 2012 Property Tax Expenses Included in Deferred Expenses:	
1	2012 Property Tax Expenses included in Deferred Expenses by DEF	$ 8,373,340
2	Citrus County Property Tax Settlement included in Deferred Expenses by DEF - 2012 Portion	(2,788,100)
3	Net 2012 Property Tax Expenses included in Deferred Expenses by DEF	5,585,240
4	Adjustment to Remove 2012 Property Taxes from Deferral Balance	$ (5,585,240)
	Calculation of January 2013 Property Tax Expenses Included in Deferred Expenses:	
5	2013 Property Tax Expenses included in Deferred Expenses by DEF	$ 9,143,868
6	Citrus County Property Tax Settlement included in Deferred Expenses by DEF - 2013 Portion	(4,538,926)
7	Net 2013 Property Tax Expenses included in Deferred Expenses by DEF	4,604,942
8	Portion of 2013 Net Property Taxes Applicable to January (Line 7 x 1/12th)	383,745
9	Adjustment to January 2013 Property Taxes from Deferral Balance	$ (383,745)

Duke Energy Florida
Calculation of Unsupported Moving Expense Accrual

Docket No. 150148-EI
Adjustments to CR3 Regulatory Asset
Exhibit DMR-2

Line	Description	Amount
1	Administrative Fees	$ 102,537
2	Business	3,480
3	Final Move	44,529
4	Tax Gross-Up	822,930
5	Home Find	118,584
6	Home Sale Costs	996,819
7	Household Goods Move	749,079
8	Home Sale Bonus	112,752
9	Lease Cancel	9,366
10	Loss on Home Sale	1,871,752
11	Lump Sum	6,000
12	Misc.	277
13	Misc. Expense Allowance	653,379
14	New Home Closing	96,764
15	Old Home Closing	22,210
16	Rental Find	10,000
17	Return Trip	23,526
18	Spousal Emp. Assist.	1,275
19	Storage > 30 days	6,849
20	Temporary Living	535,540
21	Moving Expenses per NEI Global Relocation Report	$ 6,187,647
22	Moving Expense Accrued by Company	6,434,588
23	Unsupported Accruals (Line 21 - Line 22)	$ (246,941)
24	DEF Portion (removes JO portion)	91.7806%
25	Separation Factor	91.538%
26	Adjustment to Remove Unsupported Accruals	$ (207,466)

Source:

Lines 1 - 20: Redacted version of response to OPC ROG 2-25 at Bates Nos. 150148-OPCROG2-25-000001 to 0000015.

Line 22: Response to OPC POD 1-4. "Employee Moving Expenses (OEM) derived using electronic spreadsheet provided as attachment to response.

Line 24: Response to OPC POD 1-4 at Bates No. 150148-OPCPOD1-4-000002.

Duke Energy Florida
Impact of Adjustments on Cumulative AFUDC

Docket No. 150148-EI
Adjustments to CR3 Regulatory Asset
Exhibit DMR-2

Line	Description	Amount
1	Cumulative AFUDC revised to incorporate OPC recommended adjustments in calculation	$ 171,547,000
2	Cumulative AFUDC per Company	173,005,000
3	Impact of Adjustments to CR3 Regulatory Asset on Cumulative AFUDC Balance	$ (1,458,000)

Source/Notes:
Line 1: Calculated using electronic spreadsheet provided by Company in response to OPC POD 2-15. OPC Recommended Adjustments were input into the electronic spreadsheet. The per OPC Regulatory Liability Offsets were spread ratably over the 11 month nuclear O&M and property tax expense deferral period (February 2013 through December 2013) in the spreadsheet.
Line 2: DEF Exhibit No. (MO-2), line 17.

State of Florida

Public Service Commission

Office of Auditing and Performance Analysis
Bureau of Auditing
Tampa District Office

Auditor's Report

Duke Energy Florida, Inc.
Review of CR3 Regulatory Asset

December 31, 2012 - April 30, 2015

Docket No. 150148-EI
Audit Control No. 15-161-2-1
July 20, 2015

Ron Mavrides
Audit Manager

Linda Hill
Reviewer

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Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the agreed-upon objectives set forth by the Division of Accounting & Finance in its audit service request dated June 9, 2015. We have applied these procedures to the attached schedules prepared by Duke Energy Florida, Inc. in support of its filing in Docket No. 150148-EI.

This audit was performed following General Standards and Fieldwork Standards found in the AICPA Statements on Standards for Attestation Engagements. Our report is based on agreed-upon procedures. The report is intended only for internal Commission use.

Objectives and Procedures

Definitions

DEF refers to Duke Energy Florida, Inc.

CR3 refers to the Crystal River Unit 3 Nuclear Plant.

Utility Background

DEF announced the closure and retirement of its CR3 Plant on February 5, 2013. Order No. PSC-13-0598-FOF-EI, issued November 12, 2013, in Docket No. 130208-EI authorized DEF to create and account for a regulatory asset now known as CR3 Regulatory Asset. A Revised and Restated Stipulation and Settlement Agreement (RSSA) was approved by the Commission in this Order. The RSSA contains provisions by which DEF is authorized to increase its base rates by the revenue requirement for CR3 Regulatory Asset.

Electric Plant in Service

Objectives: The objectives were to determine whether Electric Plant in Service (EPIS) was correctly stated at December 12, 2012, and that all activity from January 1, 2013, through April 30, 2015, is properly reflected.

Procedures: We reconciled the ending December 31, 2012, balance per Exhibit MO-2 (Exhibit) in Docket No. 150148-EI to the general ledger. We reconciled ending balances per the Exhibit to the ending balances per the general ledger for December 31, 2013, December 31, 2014, and April 30, 2015. We traced a sample of transactions to supporting documentation. No exceptions were noted.

Accumulated Depreciation and Amortization

Objectives: The objectives were to determine whether Accumulated Depreciation balances were correctly stated at December 12, 2012, and that activity from January 1, 2013, through April 30, 2015, is properly reflected on the books.

Procedures: We reconciled Accumulated Depreciation balances to the Utility's December 31, 2012, general ledger. We selected retirement transactions to verify that they were properly booked. We selected salvage transactions and traced to supporting documentation to verify that each salvage transaction was properly booked and payment received. No exceptions were noted.

Regulatory Asset Write-down

Objectives: The objective was to determine whether the write down of the CR3 Asset by $295 Million as stipulated in Order No. PSC-13-0598-FOF-EI, issued November 11, 2013, in Docket No. 130208-EI, was booked at the correct amount and in the correct period.

Procedures: We reviewed supporting documentation for the CR3 write down. We verified that the write-down was for the correct amount and time period. No exceptions were noted.

Construction Work in Progress

Objectives: The objectives were to determine whether Construction Work in Progress (CWIP), with the exception of Dry Cask - Line 10, was correctly stated at December 12, 2012, and that activity from January 1, 2013, through April 30, 2015, is properly reflected on the books.

Procedures: We reconciled CWIP Projects as listed in the Exhibit to the Utility's December 31, 2012, general ledger. We reviewed all activity from January 1, 2013, to April 30, 2014, and agreed to the Exhibit and to the general ledger. We selected transactions from CWIP Projects and reviewed supporting documentation for each. Other-CWIP Projects, Line 13, included the Nuclear Fire Protection, Radio System and Fuel Pump projects, and transactions from each were selected and traced to supporting documentation. No exceptions were noted.

Nuclear Fuel Inventories

Objectives: The objectives were to determine whether the Nuclear Fuel Inventories balance was correctly stated at December 31, 2012, and that activity from January 1, 2013, through April 30, 2015, is properly reflected on the books.

Procedures: We reconciled the December 31, 2012, ending balances to the general ledger. We reconciled the activity for January 1, 2013, through April 30, 2015, to the general ledger. We selected samples and traced to supporting documentation. No exceptions were noted.

Nuclear Materials and Supplies Inventories

Objectives: The objectives were to determine whether Nuclear Materials and Supplies inventories are correctly stated at December 31, 2012, and that activity from January 1, 2013, through April 30, 2015, is properly reflected on the books.

Procedures: We reconciled the December 31, 2012, ending balances to the general ledger. We selected transactions and traced to supporting documentation. No exceptions were noted.

Deferred Expenses

Objectives: The objectives were to determine whether Deferred Expenses are correctly stated at December 12, 2012, and that ending balances from January 1, 2013, through April 30, 2015, are correctly stated.

Procedures: We reconciled the December 31, 2012, ending balances to the general ledger. We reviewed all activity in the general ledger from January 1, 2013, to April 30, 2014, and traced to the transaction detail and the Exhibit. We selected transactions and traced to supporting documentation and reviewed for proper account, timing and dollar value. No exceptions were noted.

Allowance for Funds Used During Construction

Objective: The objective was to determine whether the Allowance for Funds Used During Construction (AFUDC) for the CR3 Regulatory Asset was properly calculated

Procedures: We reconciled the Utility's AFUDC Monthly - Total (Compounded) WA Annual Report for January 1, 2013, to April 30 2015, to the Exhibit. Using the authorized carrying cost rate of six percent, we verified the monthly calculations on a test basis. No exceptions were noted.

Cost of Removal Regulatory Asset - CR3 Portion

Objective: The objective was to determine whether the Cost of Removal for the CR 3 Regulatory Asset is properly stated.

Procedures: We reconciled the December 31, 2012, balance to the general ledger. We reviewed all activity from January 1, 2013, to April 30, 2014, and reconciled to the transaction detail and the Exhibit. We selected transactions and traced to supporting documentation. No exceptions were noted.

Audit Findings

None

Exhibit

Exhibit 1: Calculation of the CR3 Regulatory Asset Value and Revenue Requirement – Exhibit No. MO-2

Docket No. _____
Witness: Olivier
Exhibit No. (MO-2)
Page 1 of 1

Duke Energy Florida
RRSSA Exhibit 10 Template Populated
Template for Calculation of the CR3 Regulatory Asset Value and Revenue Requirement
Portion Subject to Cap Only (Excludes Dry Cask Storage Component)
($ thousands)

Line No.	Pre or Post Retirement Component Classification	category	(A) Historical Balance Dec '12	(B) Historical Activity Jan'13-Apr'15	(C) Actual Balance Apr '15	(D) Projected Activity May-Dec '15	(E) Projected Balance Dec '15
1							
2	Electric Plant in Service	a	$840,360	($11,649)	$828,711		$828,711
3	Less Accumulated Depreciation	b	431,752	(8,346)	423,406		423,406
4	Net plant balance	fallout	408,608	(3,303)	405,305		405,305
5	Write-Down	b		(295,000)	(295,000)		(295,000)
6	Construction Work in Progress (CWIP)						
7	Steam Generator Replacement (SGR) Project	a	369,915	(9,695)	360,220		360,220
8	Delam Repair Project	b	165,500	1,764	167,264		167,264
9	License Amendment Request (LAR)	b	18,832	720	19,552		19,552
10	Dry Cask Storage	d	n/a	n/a	n/a		n/a
11	Fukushima	d	1,553	940	2,493		2,493
12	Building Stabilization Project	c		23,640	23,640		23,640
13	Other - CWIP	d	45,826	7,388	53,214		53,214
14	Nuclear Fuel Inventories	a	243,564	11,968	255,532	(119,363)	136,169
15	Nuclear Materials and Supplies Inventories	a	49,055	1,168	50,223		50,223
16	Deferred expenses	a	8,373	86,087	94,460		94,460
17	Cumulative AFUDC (6.00%)	fallout		140,890	140,890	32,115	173,005
18	Cost of Removal Reg Asset - CR3 Portion (Order No. PSC 10-0398-S-EI)	b	18,500	88,969	107,469		107,469
19	Total CR3 Regulatory Asset	fallout	$1,329,726	$55,535	$1,385,261	($87,248)	$1,298,012
20	Rate of Return (Settlement Agreement Exhibit 3: 6% grossed up for taxes)	b					8.12%
21	Return	b					$105,399
22	Amortization expense (20 years)	b					$64,901
23	Total revenue requirement	fallout					$170,299

category

a The Intervenor Parties fully and forever waive, release, discharge and otherwise extinguish any and all of their rights to contest DEF's right to recover these costs except that the Intervenor Parties retain the right to challenge whether DEF took reasonable and prudent actions to minimize the future CR3 Regulatory Asset value after February 5, 2013 and to sell or otherwise salvage assets after February 5, 2013 that would otherwise be included in the CR3 Regulatory Asset.

b The Intervenor Parties fully and forever waive, release, discharge and otherwise extinguish any and all of their rights to contest DEF's right to recover these costs.

c The Intervenor Parties fully and forever waive, release, discharge and otherwise extinguish any and all of their rights to contest DEF's right to recover costs incurred by the Company before February 5, 2013. The Intervenor Parties retain the right to challenge the prudence of any costs incurred after and applicable to the period after February 5, 2013 that are submitted for recovery by the Company.

d The Intervenor Parties retain the right to challenge the prudence of any costs submitted for recovery by the Company.

e The Intervenor Parties retain the right to verify that the Company has complied with paragraph 5b of the Revised and Restated Settlement Agreement.

Note: Line 17 of this exhibit reflects the impact of the calculation presented on line 5 of exhibit 11.

Review of Duke Energy Florida Inc.'s Project Management Internal Controls for Crystal River Unit 3 Asset Recovery

August 2015

BY AUTHORITY OF

The Florida Public Service Commission
Office of Auditing and Performance Analysis

Review of Duke Energy Florida Inc.'s Project Management Internal Controls for Crystal River Unit 3 Asset Recovery

William "Tripp" Coston
Public Utility Analyst IV
Project Manager

Jerry Hallenstein
Senior Analyst

August 2015

By Authority of
The State of Florida
Public Service Commission
Office of Auditing and Performance Analysis

PA-15-06-005

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TABLE OF EXHIBITS

1.0 Executive Summary

1.1 Purpose and Objective

In accordance with Duke Energy Florida Inc.'s (DEF) August 1, 2013 Settlement Agreement with the parties and approved by the Florida Public Service Commission (Commission), DEF is committed to using reasonable and prudent efforts to sell or salvage assets to reduce the Crystal River Energy Complex Unit 3 (CR3) Regulatory Asset value.

In June 2015, the Commission's Office of Auditing and Performance Analysis initiated a management audit of CR3 asset disposition activities at the request of the Division of Accounting & Finance. It was anticipated that information from this audit may be used by the Commission in Docket No. 150148-EI to assess DEF's petition to include in base rates the revenue requirement for the CR3 Regulatory Asset.

The purpose of the audit was to assess the reasonableness and adequacy of DEF's internal controls and management oversight for the CR3 investment recovery project. The audit thoroughly and critically examined the processes used by DEF to maximize the recovery of the cost of CR3 assets. This report describes the results of that assessment, and provides an independent account of the key project activities and processes used in the disposition of the *non-Extended Power Uprate (non-EPU)* CR3 assets.

These non-EPU assets are the components of the CR3 facility (other than fuel) that were purchased and/or used for operating the unit separate and apart from the extended power uprate project. This includes all equipment unrelated to the EPU which DEF identified for disposition through its Investment Recovery Execution Plan.

EPU assets are those assets that were purchased and/or installed as part of DEF's project to increase the CR3 plant's megawatt rating. The EPU asset revenues that DEF recovers are credited back to the EPU project through the Commission's Nuclear Cost Recovery Clause.

1.2 Methodology and Scope

The information compiled in this audit was gathered through responses to document requests and onsite interviews with key employees accountable for directing, developing, and implementing the dispositioning of the CR3 assets. Audit staff also reviewed testimony, discovery, and other filings in Docket No. 150148-EI. Information collected and assessed was related to the following key areas of project activity:

- Governance documents used to complete the disposition of CR3 assets.
- DEF's management process for developing and authorizing the CR3 asset disposition.
- Schedule, estimated and actual expenditures of the CR3 asset disposition.

- A list of all CR3 assets dispositioned by the company, the related value, and the sales results.
- Key Performance Indicators used to monitor the status of CR3 asset disposition.
- Bid evaluation analyses.
- Internal audit reports and quality assessment reviews.

Audit staff focused on DEF's *Conduct of CR3 Investment Recovery* procedure and the *Investment Recovery Project Execution Plan* which both outline the stepwise approach to dispose of CR3 assets. Specific components include organization, pricing requirements, risk management, and approvals required for the execution of sales/affiliate transactions. Commission audit staff also examined internal controls to assess their sufficiency to minimize risk, enhance its mitigation and management, and aid efficient, reasoned decision making.

Commission audit staff's review places primary importance on internal controls found in the Institute of Internal Auditors' *Standards for the Professional Practice of Internal Auditing* and in the *Internal Control - Integrated Framework* developed by the Committee of Sponsoring Organizations of the Treadway Commission. The framework states that an internal control should consist of five interrelated components:

- Control environment
- Risk assessment
- Control activities
- Information and communication
- Monitoring

To maximize operational effectiveness and efficiency, reliability of financial reporting, and compliance with applicable laws and regulations, all five components must be present and functioning to conclude that internal controls are effective.

1.3 Commission Audit Staff Observations

Commission audit staff identified no concerns regarding DEF's project management or deficiencies regarding the adequacy of project controls in the disposition of non-EPU CR3 assets.

Interviews with DEF project managers and a thorough review of project documentation led Commission audit staff to make the following observations:

- DEF performed its dispositioning of CR3 assets in accordance with its corporate investment recovery guidance procedures and project plan.

- DEF's use of various sales methods for CR3 equipment (internal transfers, inter-utility sales, listed bid events, and a public auction) was reasonable.

- DEF made appropriate and extensive efforts to market its assets to a wide range of potential buyers.

- The processes employed put DEF in a position to recover the current market value, average unit value, or average book value for each CR3 asset sold.

- The market value of CR3 components is severely constrained by one-of-a-kind nuclear plant design, the limited number of comparable plants, and various problems associated with potential buyers' reuse of non-warrantied components.

- Many major non-EPU CR3 components were only marketable at salvage value but projected removal costs frequently exceeded that value.

2.0 Crystal River 3 Asset Recovery Project

2.1 Investment Recovery Project

To manage disposition of CR3 assets, DEF initiated an Investment Recovery Project (IRP) in October 2013. The IRP considered feasible approaches to dispositioning of both the EPU-related and non-EPU related items. There was a greater volume and dollar value of non-EPU CR3 components than EPU-related components offered for sale. However, to minimize costs and to ensure all asset removal activities are performed in a prudent manner to support the abandonment process, the disposition process for both EPU and non-EPU components were the same.

The organizational structure for the IRP originally consisted of over 600 team members. Towards the end of 2014, needed resources declined. For the remainder of 2015, DEF has committed two part-time staff members to manage and support the completion of EPU-related assets disposition. The disposition of non-EPU assets have been closed out since April 30, 2015.

The CR3 IRP is governed primarily by DEF's *Conduct of CR3 Investment Recovery* and procedure and the *Investment Recovery Project Execution Plan*. To maximize the overall recovery amount, DEF's Investment Recovery Project team evaluated various approaches to marketing and the potential demand for available assets. The plan also required the company to assess any potential use for these assets within Duke Energy.

The company also evaluated the opportunity to sell the recently-installed steam generator components through the Investment Recovery process. IRP management planned to market this equipment to similar Babcock & Wilcox (B&W) nuclear plants for potential sale and to original equipment manufacturer (B&W) for sale. Selling the steam generator for scrap was considered a possibility only if removal costs did not exceed scrap value.

The IRP team's strategy was to develop an inventory of CR3 assets, assess the average unit price of each asset, categorized by type of inventory (e.g., motors, wiring, and bolts), and then develop a systematic approach to disposition of assets. Under the *Conduct of CR3 Investment Recovery* procedure, all assets were to be disposed in the following manners:

- To the greatest extent possible, utilize internal inventory transfer to the Duke Energy fleet per Duke Energy's Affiliate Asset Transfer process.
- Assets not transferred internally would be segregated and bid out. Price quotes would be obtained from distributors, other utilities, resellers, and Original Equipment Manufacturer's (OEMs) to establish the fair market value of assets
- For remaining assets, utilize auction companies for disposition at salvage or scrap value

The company completed this endeavor using a layered approach of internal notifications, inter-utility publications, targeted listed bid events and a public auction.

2.2 Internal Transfers, Rapid and PowerAdvocate Sales

Beginning in November 2013, the IRP team began efforts to identify possible internal sales and affiliate transfers of CR3 assets. A match list was created to assist other Duke Energy plants in identifying common components. In December 2013 and January 2014, Duke Energy plants were able to compare internal needs to this list. Both internal sales and affiliate transfers assets are required by DEF procedures to be priced at either the average unit price or net book value. To ensure affiliate transfers meet current agreements and approvals, the IRP requires an *Affiliate Asset Transfer Request* e-Form to be completed for any material which is being moved from DEF.

In addition to internal sales and affiliate transfers, DEF conducted marketing efforts through the use of two Internet-based sourcing tools: Readily Accessible Parts Integrated Database (RAPID) and PowerAdvocate.

The RAPID system is an industry inventory management database accessible to utilities within the United States and Canada. It provides a quick method for searching, purchasing, and selling power plant components. Once the IRP team identified the marketable CR3 assets DEF offered these assets for sale at the average unit price on RAPID. RAPID sales were completed from February 2013 to December 2014.

From November 2013 through February 2015 the IRP team conducted a series of listed bid events posted on PowerAdvocate available to utility and non-utility third parties. The company hosted a total of 43 bid events using this process. CR3 assets listed on PowerAdvocate were offered through a closed-bid process and managed by the IRP team with coordination from Duke Energy Corporate Procurement.

Leading up to the listed bid events on PowerAdvocate, the IRP team organized and grouped items for maximum bid interest and value. After grouping of the 1.4 million pieces of CR3 inventory identified for sale, inventory was separated into 36,000 catalogue identifications. The catalogue identifications were grouped by lots for sale in a single transaction in one of six pools or tranches. The six tranches were structured as follows and were made available for external bidding via DEF's PowerAdvocate website:

- Tranche 1: Average unit price > $10,000
- Tranche 2: Average unit price > $5,000 and < $10,000
- Tranche 3: Average unit price > $2,500 and < $5,000
- Tranche 4: Average unit price > $1,000 and < $2,500
- Tranche 5: Average unit price > $500 and < $1,000
- Tranche 6: Average unit price < $500

The IRP team developed a tiered approach for listing CR3 assets on PowerAdvocate beginning with Tranche 1 since it consisted of inventory with the greatest market value. However, DEF's IRP team made the decision to move Tranche 6 forward since 1.1 million (79%) of 1.4 million pieces of inventory for sale fell in Tranche 6. Of the 36,000 catalogue identifications, 34,000 (94 percent) of the inventory categories fell into Tranche 6. Therefore, the initial assets listed on PowerAdvocate were in Tranche 6, 1, and 2.

2.3 Public Auction Sales

During the first quarter of 2014, the IRP team started evaluating the opportunity to transition to a public auction format for the remaining CR3 assets. Management began to reconsider the feasibility of completing the listed bid event process for the remaining volume of CR3 assets. Processing in preparation for listed bid events is labor intensive. A public auction could prevent the need to add substantial additional resources.

In March 2014, Southern California Edison conducted a public auction of non-nuclear assets from its San Onofre Nuclear Generating Station. DEF sent IRP team members to observe this event to help determine whether this approach would be viable for selling CR3 assets. The IRP team members reviewed the process, held discussions with Southern California Edison, and concluded this approach was viable. The IRP team proposed to senior management that DEF shift from the listed bid event approach to a one-time, public auction for selling the remaining assets. This recommendation was approved by senior management in July 2014.

The IRP team, with the support of Corporate Procurement, issued a Request for Proposal to twelve large and small auction companies. Proposals were received from five of the companies and two finalists were brought in for on-site presentations. These auction companies had experience in large industrial-based auctions. DEF executed a contract with Heritage Global Partners Asset Advisory & Auction Services. According to DEF, the compensation and commission contract terms were in keeping with typical auction practices.

The company worked with the selected vendor to develop and employ a mix of printed advertising, targeted calls to potential buyers, social media aimed at industry groups, and general advertising to the public and non-industry bidders including salvage dealers. DEF believes that this marketing effort reached 100,000 potential bidders worldwide, including foreign nuclear generating plant operators.

The auction was held September 24 through 26, 2014, with bids accepted in person, and via both the Internet and telephone. The auction was a sell-all event with no price reserves on lots. DEF reserved the right to reject the final bid only if the company believed that the sale price was below removal cost.

2.4 Investment Recovery Project Closeout

Exhibit 1 depicts the timeline for the various key activities in the disposition of CR3 assets via the IRP.

Duke EnergyFlorida, Inc.
Investment Recovery Project Timeline

	2013			2014												2015				
	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M
Duke Internal Sales and Affiliated Transfers		■	■	■	■	■	■													
RAPID/PowerAdvocate Sales				■	■	■	■	■	■	■	■									
Public Auction												■								
Market to OEM														■	■	■	■	■	■	

EXHIBIT 1

Source: DEF Response to Data Request 1-5.

After completing the internal and external CR3 asset sales, DEF made additional efforts to sell the CR3 steam generator to Babcock & Wilcox Canada (the OEM) through April 2015. IRP management states the main limitation to finding a potential buyer for the steam generator equipment was its specialized engineering, the fact it was installed and considered used without warranty, and the limited pool of potential buyers. In the end, the company determined that all similar Babcock & Wilcox plants had previously replaced their steam generators. In addition, Babcock & Wilcox expressed no interest in repurchasing the steam generator.

The IRP team also assessed the option to remove several major electric plant in service assets for sale to a recycler for scrap. These included motors, transformers, batteries and chargers, and the steam generator and related components. Management determined that the removal cost would exceed the salvage proceeds and would be a high risk activity. The ultimate decision was to abandon in place. Later, DEF will salvage the equipment through the dismantling and decommissioning process.

In April 2015 the company closed out the Investment Recovery Project for all remaining CR3 non-EPU assets. This was completed in accordance with the company project management protocol. The company ceased charging administrative costs for this project to the Regulatory Asset. A small contingent of staff remains in place through 2015 to finalize the EPU-related recovery efforts. However, these costs are assigned to the Nuclear Cost Recovery Clause.

As shown in **Exhibit 2**, the project close-out date, the proceeds of CR3 assets totaled $8,361,711, with $2,992,688 in actual project costs. Internal and affiliate transfers comprised 34 percent of the total proceeds. RAPID and PowerAdvocate transactions accounted for 33 percent and 7% of total proceeds, respectively. The public auction yielded 17 percent of total proceeds.

Duke Energy Florida, Inc. CR3 Asset Proceeds by Sales Type		
Sales Method	**Proceeds**	**Percent of Proceeds**
DEF Internal	$1,514,904	18%
Affiliated Asset Transfer	1,357,378	16%
RAPID	2,722,912	33%
Power Advocate/Non Duke	605,015	7%
Auction	1,408,328	17%
Salvage	727,972	9%
Disposal	25,203	0%
Total	**$8,361,711**	**100%**

EXHIBIT 2

Source: DEF Response to Data Request 2-5.

U.S. Securities and Exchange Commission

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET: 150148-EI
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PARTY: STAFF – (DIRECT)
DESCRIPTION: Brian A. Maher BAM-1

Speech by SEC Staff: Fiduciary Duty: Return to First Principles

by

Lori A. Richards

Director, Office of Compliance Inspections and Examinations
U.S. Securities and Exchange Commission

Eighth Annual Investment Adviser Compliance Summit
Washington, D.C.
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As a matter of policy, the SEC disclaims responsibility for any private statement by an employee. The views expressed here today are my own and do not necessarily reflect those of the Commission, the Commissioners or other members of the staff.

Good morning. I am pleased to be here, as you consider practical methods to address the range of compliance issues that you face. Nothing could be more important to us at SEC than helping to ensure that advisers prevent, detect and correct compliance problems. I want to thank David Tittsworth and Hugh Kennedy for inviting me to speak with you today.

As we look at the compliance environment today, there are some facts worth noting. First, there are a significant number of newly-registered investment advisers. In fact, there are approximately 10,000 advisers registered with the SEC. About 2,000 of these firms, or 20% of the total, have just registered in the last year. These firms vary — they may be recently formed, have simply grown to exceed the 25$ million assets under management threshold, or have been operational for some time, but are registering with the SEC now because of the Commission's new rules requiring the registration of hedge fund advisers. As new registrants, these firms may be new to the Investment Advisers Act of 1940.

A second fact worth noting is that all advisory firms, whatever their size, type or history in the business, owe their advisory clients a fiduciary duty. Many firms are acutely aware of their fiduciary obligation and ensure that it informs, educates and guides their dealings and decisions. But, one only has to look at our enforcement actions and deficiencies found in exams to draw the conclusion that the application of fiduciary duty is not as embedded in many firms' cultures as it could be. In fact, I'm far from certain that all advisory firms understand their fiduciary obligations, and how they apply in the context of their own operations. Some advisers have seemed to be aware of the fiduciary duty in kind of an ethereal way — "I know it's out there but I don't really know what it is." Others have looked at fiduciary duty as strictly a compliance or legal function — not fully

appreciating its significance to all employees of the firm. Either view is dangerous.

Fiduciary Duty

Understanding "fiduciary duty" is critical, because it is at the core of being a good investment adviser. In a very practical sense, if an adviser and the adviser's employees understand the meaning of fiduciary duty and incorporate this understanding into daily business operations and decision-making, clients should be well served, and the firm should avoid violations and scandal. Indeed, I believe that, even if advisory staff are not aware of specific legal requirements, if their decisions large and small and everyday are motivated and informed by doing what's right by the client, in all likelihood, the decision will be right under the securities laws.

This is why, as an examiner, I care about advisers' fiduciary duties. I think that knowledge and familiarity with one's fiduciary duty can help firms avoid compliance violations. And, avoidance of violations is in everyone's best interests — yours, your clients and our markets. As examiners, we prefer to find highly compliant firms with strong compliance controls that prevent violations. To demonstrate this point, I wanted to share with you some of the most common deficiencies that we find in our examinations of investment advisers, each of which have fiduciary implications.

But first, I'd like to look more closely at the concept of fiduciary duty. Many different types of professions owe a fiduciary duty to someone — for example, lawyers to their clients, trustees to beneficiaries, and corporate officers to shareholders. Fiduciary duty is the first principle of the investment adviser — because the duty comes not from the SEC or another regulator, but from common law. Some people think "fiduciary" is a vague word that's hard to define, but it's really not difficult to define or to understand. Fiduciary comes from the Latin word for "trust." A fiduciary must act for the benefit of the person to whom he owes fiduciary duties, to the exclusion of any contrary interest.[1]

Now, some might wonder why the concept of fiduciary duty came to be applied to advisers. The Investment Advisers Act does not call an adviser a fiduciary. In fact, that word does not appear in the Act. But, the Supreme Court recognized congressional intent and held that the Advisers Act: "reflects a congressional recognition of the delicate fiduciary nature of an investment advisory relationship, as well as a congressional intent to eliminate, or at least to expose, all conflicts of interest which might incline an investment adviser - consciously or unconsciously - to render advice which was not disinterested."[2] And, the Court said that: investment advisers are fiduciaries with "an affirmative duty of 'utmost good faith and full and fair disclosure of all material facts,' as well as an affirmative obligation 'to employ reasonable care to avoid misleading' … clients."[3]

I would suggest that an adviser, as that trustworthy fiduciary, has five major responsibilities when it comes to clients. They are:

1. to put clients' interests first;
2. to act with utmost good faith;
3. to provide full and fair disclosure of all material facts;
4. not to mislead clients; and
5. to expose all conflicts of interest to clients.

These responsibilities overlap in many ways. If an adviser is putting clients' interests first, then the adviser will not mislead clients. And, if the adviser is not misleading clients, then it is providing full and fair disclosure, including disclosure of any conflicts of interest.

How do the responsibilities of a fiduciary translate into an adviser's obligations to clients each and every day? This is a key question. Probably no statute or set of rules could contemplate the variety of factual situations and decisions that an advisory firm faces. Can you imagine the number of rules and releases and regulations that this would require? Instead, the Advisers Act incorporates an adviser's fiduciary duty under Section 206, and envisions that, in whatever factual scenario, the adviser will act in the best interests of his clients.

This is a simple statement to make, but one that is more difficult to apply. In thinking about compliance with your fiduciary obligation as an adviser, start by thinking about the areas where there is a conflict of interest — between one's own interests, the interests of the firm, and/or the interests of advisory clients. These are the areas in which compliance with fiduciary obligations are likely to be most challenging. The Compliance Rule envisions this analysis, and the Commission suggested in the release adopting the rule that advisers conduct a risk assessment to identify areas of conflicts of interest.[4]

This is not a one-time effort — the nature of an adviser's relationship with its clients is full of conflicts, and those conflicts change when an adviser's business changes. Addressing and disclosing conflicts of interest is an ongoing process. While some conflicts of interest stand out, others can be very subtle, so an adviser must look, with more than a casual glance, at every aspect of its business, and its relationship with clients, and carefully consider whether it has a conflict of interest. Importantly, at this stage, the question is not whether the adviser acts appropriately in the conflicted situation, but merely whether the conflict itself exists.

The next step, of course, is to disclose material conflicts of interest in a "full and fair" manner and to ensure your clients understand any material conflicts of interest before taking action. Because you are a fiduciary, you should not allow your client to enter the advisory relationship without a clear understanding of all material conflicts.

As I said, and in keeping with the theme of this conference — to provide practical and not just theoretical information on compliance issues — I wanted today to describe the top 5 deficiencies that we find in our exams. It's my hope also that this information may be helpful to newly-registered advisers who are seeking to better understand common compliance pitfalls, conflicts of interest and fiduciary duties. Last year, we examined over 1,500 investment advisers. In those exams, the most common deficiencies were the following:

- Deficient disclosure — I'll spend more time talking about disclosure in a minute.
- Deficiencies in portfolio management — Problems in this area included inadequate controls to ensure that investments for clients are consistent with their mandates, risk tolerance and goals, and to ensure that required records are kept. Fiduciary duty is implicated in this area because advisers have a duty to ensure that they are

managing their clients' money in a manner that is consistent with the clients' direction.

- Deficiencies with respect to advisory employees' personal trading — Problems in this area included a lack of controls, a lack of required codes of ethics, and failure to implement stated procedures to monitor employees' personal trades to prevent employees from placing their own interests above those of their clients, by for example, front-running clients' trades, trading on non-public information, taking investment opportunities for themselves over clients — to ensure that the fiduciary is acting with the loyalty and "utmost good faith" envisioned by the Supreme Court.

- Deficiencies in performance calculations — Problems in this area included overstated performance results, comparing results to inappropriate indices, failing to disclose material information about how the performance results were calculated, using prohibited testimonials, and advertising past results in a misleading manner. In this area, a fiduciary must calculate and set forth its past performance in an honest way, and must provide information that is not misleading.

- Deficiencies in brokerage arrangements and execution — Deficiencies in this area included poor or no controls to ensure that the adviser obtains "best execution," and secretly using clients' money to pay for client referrals, and for other goods and services that benefit the adviser. Simply stated, because brokerage money belongs to the client and not to the adviser, the adviser has a fiduciary duty to ensure that it is used appropriately and that the client is aware of how his/her money will be and is being spent by the adviser.

Inadequate Disclosure

Inadequate disclosure has been on the "top 5" list of most frequent deficiencies for some time. And, as it is the most frequently-found deficiency, it's an area that clearly deserves more attention by advisory firms. As such, I'd like to spend some time this morning talking about disclosure and the adviser's fiduciary duty.

Approximately half of the deficiencies that we find in this area relate to inaccurate, incomplete, and even misleading information in Forms ADV, and half include problematic disclosure of business practices and fees charged to clients. Whether you use Form ADV or other disclosure techniques, you should take care to ensure that you are in fact providing full, accurate and complete disclosure, and written in a comprehensible language, designed to be understood by your clients.

So what should you not do? Let me illustrate with a few examples from recent examinations.

- Clients were not informed of the real method used to calculate the adviser's fee. Fees appeared to be lower than they were in fact.

- An adviser failed to disclose that he recommends securities to clients in which he has a proprietary interest.

- An adviser failed to disclose the risks to clients that existed by having their assets invested in private investments.
- An adviser failed to disclose that clients with directed brokerage arrangements may not achieve best execution.
- An adviser does not accurately describe the types of products and services it obtains with clients' soft dollars.
- Clients whose assets were invested in mutual funds were not told that they pay both a direct management fee to their adviser and an indirect management fee to the adviser of their mutual funds.
- An adviser stated that it did not have custody of client assets when in fact it did.
- An adviser did not disclose that it receives economic benefit from a non-client in connection with giving advice to clients.
- An adviser did not disclose that even if clients direct that their securities transactions be executed through a certain broker-dealer, the adviser did not actually execute most transactions through that firm.
- An adviser had not amended its ADV for several years although the rules require that it be amended at least annually and more frequently if required, information was therefore out-of-date.
- An adviser incorrectly stated that it did not have discretion to direct trades to specific broker-dealers, when in fact it did.
- Clients were provided with incorrect information about the adviser's review of their accounts, and the frequency of those reviews.

Some of the disclosure deficiencies that we find seem to come from inattention — the failure of the adviser to make sure its Form ADV reflects its current business operations. To my mind, this type of problem stems from lax controls and perhaps from an underfunded infrastructure. Other disclosure deficiencies, however, occur because the adviser either failed to identify a conflict of interest or, having spotted it, chose not to disclose it. In the former case, some advisers appear not to be giving adequate thought to what constitutes a conflict of interest. Importantly, all material conflicts of interest must be disclosed, even if the adviser has taken steps to mitigate those conflicts to ensure that it acts appropriately. And, whether intentional, inattentive or inept, the result is the same — advisory clients are not being provided with accurate information about the adviser.

Disclosure is at the heart of our securities regulatory framework, and as you would assume, it is also at the heart of our examination process. At the start of every exam, SEC examiners review the information that the adviser disseminates about its business, which includes Form ADV, parts I and II. They look at this information to see how an adviser describes its business as well as any business practices that pose potential conflicts of interest between the adviser and its clients. Throughout the exam, the examiners will continue seeking information about how an adviser's business works and what services are provided to clients. When discrepancies or omissions between the firm's written disclosures and its

actual practice are identified, this will trigger heightened scrutiny by the exam staff. As a fiduciary, it is fundamental that what you tell your clients is, in fact, how you conduct your business.

How does an adviser guard against disclosure problems? As you know, the Compliance Rule requires an adviser to adopt and implement policies and procedures to prevent violations, including disclosure violations. To implement this, some firms conduct a periodic in-depth review of the adviser's ADV, along with all other written materials provided to clients and to the public — and then, they compare these disclosures against the firm's actual business operations. The review is conducted by a group of knowledgeable employees who represent all aspects of the firm — from compliance to portfolio management to trading desk to business operations. This is important, because disclosures must reflect actual practice, and who better to know the nature of the firm's actual practices than those who are actually doing it. This practice also helps keep disclosures "real," and not simply aspirational or marketing literature. Then, any required changes to disclosures are made promptly. Some firms also perform this same sort of review of client portfolios to ensure that portfolio transactions are consistent with disclosures to and instructions from the client.

Whatever compliance technique is used, because disclosure is so important in ensuring that advisers meet their fiduciary obligations, I would hope that all advisers spend a considerable amount of time ensuring that they have provided accurate, full and fair information to clients.

Now, and particularly for newly-registered advisers, some "tips" on SEC examinations:

- It warrants saying that the SEC conducts examinations as part of its statutory mandate to protect investors. We conduct exams to help ensure that investors are being treated fairly and that firms operate consistently with the securities laws. Understanding our purpose — and that we're not out to "get you" — may help advisory staff understand the exam process better. Probably no one will ever like being examined, but the process is important for the protection of investors. And, it can help firms to identify and take steps to fix smaller problems before they can escalate!

- The best way to "prepare for an exam" is not really to prepare for an exam at all — it is to have a strong compliance infrastructure that is used effectively to prevent, detect and correct problems every day.

- A critical part of our examination process includes gaining an understanding of the firm's compliance history: 1) to evaluate the firm's compliance with the "Compliance Rule," which requires effective compliance programs to prevent, detect and correct violations; and 2) to determine the strengths and weaknesses of the firm's compliance controls to aid examiners' determination of areas to focus on in the examination. Areas where compliance controls are strong will receive relatively less scrutiny than areas that appear to be weak. To understand this, we ask the firm about any material compliance issues that the firm has faced during the examination period. Because in the past we had encountered situations where firms were less than candid in providing this information, we asked that a senior employee of the firm provide this information in writing. With CCOs at all firms now, we will seek this information from the

firm during the examination process.

- While our work on-site will be visible to you, our work off-site will not be. Our exam teams do quite a lot of analysis and other exam work after they return to SEC offices. This includes communicating with relevant SEC staff about any novel facts or interpretive issues to ensure that our findings appropriately reflect the Commission's legal interpretations. In these cases, our deficiency letters reflect the input of relevant legal staff. If you disagree with a deficiency letter, of course, say so in your response!

- Finally, and in the same vein, we urge firms to communicate openly and honestly with exam staff about the firm's operations, its compliance program and any issues or concerns they have about the exam process. We find that most issues, from document production to deficiencies found, can be understood with some honest dialogue. There are lots of opportunities for this at every stage of the exam process, and certainly at the exit interview. If you have questions or concerns, we urge you to talk with the exam staff about them. And, we also have an ExamHotline for you to express concerns, anonymously or not. The phone number is: 202-551-3926, or ExamHotline@sec.gov.

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In closing, and returning to first principles again — if an adviser incorporates the qualities of a fiduciary as I've discussed here today, and puts the clients' interests first, the adviser will indeed be someone its clients can trust.

Thank you for your time and attention.

Endnotes

[1] "Many forms of conduct permissible in a workaday world for those acting at arm's length, are forbidden to those bound by fiduciary ties. A trustee is held to something stricter than the morals of the market place. Not honesty alone, but the punctilio of an honor the most sensitive, is then the standard of behavior." Meinhard v. Salmon, 249 N.Y. 458, 464 (1928) (Cardozo, B).

[2] S.E.C. v. Capital Gains Research Bureau, 375 U.S. 180 (1963).

[3] Id.

[4] See 68 FR 74714, 74716 (Dec. 24, 2003), http://www.sec.gov/rules/final/ia-2204.htm.

http://www.sec.gov/news/speech/spch022706lar.htm

sifma
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Fiduciary Standard Resource Center

Overview

A fiduciary relationship is generally viewed as the highest standard of customer care available under law.

Fiduciary duty includes both a duty of care and a duty of loyalty. Collectively, and generally speaking, these duties require a fiduciary to act in the best interest of the customer, and to provide full and fair disclosure of material facts and conflicts of interest.

Today, financial advisers and broker-dealers are regulated by different laws. The current system, established in the 1940s, leaves states free to develop their own often conflicting definitions of fiduciary standards. This can confuse investors and lead to inconsistent definitions and interpretations under existing state law.

As part of its comprehensive financial regulatory proposal in 2009, the Obama Administration proposed to standardize the care that investors receive from financial professionals, whether financial advisers or broker-dealers at the federal level.

Under the Dodd-Frank Act, Congress directed the Securities and Exchange Commission (SEC) to study the need for establishing a new, uniform, federal fiduciary standard of care for brokers and investment advisers providing personalized investment advice. The Act further authorized the SEC to establish such a standard if it saw fit.

Separate from and conflicting with the definition of fiduciary being contemplated under Dodd-Frank, the Department of Labor (DOL) has proposed a wholesale revision to its regulation that redefines what it means to be a fiduciary under the Employee Retirement Income Security Act (ERISA) and the Internal Revenue Code.

See SIFMA's resource center on the DOL Fiduciary Standard ›

Position

Since early 2009, SIFMA has consistently advocated for the establishment of a new uniform fiduciary standard, and not application of the Advisers Act fiduciary standard to broker-dealers.

The new standard envisioned by SIFMA would: put retail customers' interests first; provide adequate flexibility to preserve and enhance customer choice of and access to financial products and services, and capital formation; provide for conflicts management; apply only to, and be tailored for, those services and activities that involve providing personalized investment advice about securities to retail customers; and not subject financial professionals to other fiduciary obligations (for example, the Advisers Act fiduciary standard, or other statutory standards).

SIFMA, through our member committees and otherwise, continues to engage policymakers and regulators with comprehensive empirical and legal analysis to help inform the process. We are hopeful that our substantive engagement and input will positively impact any rulemaking or other actions on this issue.

EX-1.1 2 efc13-602_ex11.htm

EXHIBIT 1.1

APPALACHIAN CONSUMER RATE RELIEF FUNDING LLC

APPALACHIAN POWER COMPANY

$[ ] CONSUMER RATE RELIEF BONDS

UNDERWRITING AGREEMENT

[ ], 2013

To the Representatives named in Schedule I hereto
of the Underwriters named in Schedule II hereto

Ladies and Gentlemen:

1. Introduction. Appalachian Consumer Rate Relief Funding LLC, a Delaware limited liability company (the "Issuer"), proposes to issue and sell $[ ] aggregate principal amount of its Consumer Rate Relief Bonds, (the "Bonds"), identified in Schedule I hereto. The Issuer and Appalachian Power Company, a Virginia corporation and the Issuer's direct parent ("APCo"), hereby confirm their agreement with the several Underwriters (as defined below) as set forth herein.

The term "Underwriters" as used herein shall be deemed to mean the entity or several entities named in Schedule II hereto and any underwriter substituted as provided in Section 7 hereof and the term "Underwriter" shall be deemed to mean any one of such Underwriters. If the entity or entities identified in Schedule I hereto as representatives (the "Representatives") are the same as the entity or entities listed in Schedule II hereto, then the terms "Underwriters" and "Representatives", as used herein, shall each be deemed to refer to such entity or entities. All obligations of the Underwriters hereunder are several and not joint. If more than one entity is named in Schedule I hereto, any action under or in respect of this underwriting agreement ("Underwriting Agreement") may be taken by such entities jointly as the Representatives or by one of the entities acting on behalf of the Representatives and such action will be binding upon all the Underwriters.

Capitalized terms used and not otherwise defined in this Underwriting Agreement shall have the meanings given to them in the Indenture (as defined below).

2. Description of the Bonds. The Bonds will be issued pursuant to an indenture to be dated as of November [1], 2013, as supplemented by one or more series supplements thereto (as so supplemented, the "Indenture"), between the Issuer and U.S. Bank National Association as indenture trustee (the "Indenture Trustee"). The Bonds will be senior secured obligations of the Issuer and will be supported by consumer rate relief property (as more fully described in the Financing Order relating to the Bonds, "CRR Property"), to be sold to the Issuer by APCo pursuant to the CRR Property Purchase and Sale Agreement, to be dated on or

about November [1], 2013, between APCo and the Issuer (the "Sale Agreement"). The CRR Property securing the Bonds will be serviced pursuant to the CRR Property Servicing Agreement, to be dated on or about November [1], 2013, between APCo, as servicer, and the Issuer, as owner of the CRR Property sold to it pursuant to the Sale Agreement (the "Servicing Agreement").

3. Representations and Warranties of the Issuer. The Issuer represents and warrants to the several Underwriters that:

(a) The Issuer and the Bonds meet the requirements for the use of Form S-3 under the Securities Act of 1933, as amended (the "Securities Act"). The Issuer, in its capacity as co-registrant and issuing entity with respect to the Bonds, and APCo, in its capacity as co-registrant and as sponsor for the Issuer, have filed with the Securities and Exchange Commission (the "Commission") a registration statement on such form on September 26, 2013 (Registration Nos. 333-191392 and 333-191392-01), as amended by Amendment No. 1 thereto dated October [ ], 2013 [and Amendment No. 2 thereto dated [ ], 2013], including a prospectus and a form of prospectus supplement, for the registration under the Securities Act of up to $382,000,000 aggregate principal amount of the Bonds. Such registration statement, as amended ("Registration Statement Nos. 333-191392 and 333-191392-01"), has been declared effective by the Commission and no stop order suspending such effectiveness has been issued under the Securities Act and no proceedings for that purpose have been instituted or are pending or, to the knowledge of the Issuer, threatened by the Commission. No consumer rate relief bonds registered with the Commission under the Securities Act pursuant to Registration Statement Nos. 333-191392 and 333-191392-01 have been previously issued. References herein to the term "Registration Statement" shall be deemed to refer to Registration Statement Nos. 333-191392 and 333-191392-01, including any amendment thereto, all documents incorporated by reference therein pursuant to Item 12 of Form S-3 ("Incorporated Documents") and any information in a prospectus or a prospectus supplement deemed or retroactively deemed to be a part thereof pursuant to Rule 430B ("Rule 430B") under the Securities Act that has not been superseded or modified. "Registration Statement" without reference to a time means the Registration Statement as of the Applicable Time (as defined below), which the parties agree is the time of the first contract of sale (as used in Rule 159 under the Securities Act) for the Bonds, and shall be considered the "Effective Date" of the Registration Statement relating to the Bonds. For the purpose of this definition, information contained in a form of prospectus or prospectus supplement that is deemed retroactively to be a part of the Registration Statement pursuant to Rule 430B shall be considered to be included in the Registration Statement as of the time specified in Rule 430B. The final prospectus and the final prospectus supplement relating to the Bonds, as filed with the Commission pursuant to Rule 424(b) under the Securities Act, are referred to herein as the "Final Prospectus"; and the most recent preliminary prospectus and prospectus supplement that omitted information to be included upon pricing in a form of prospectus filed with the Commission pursuant to Rule 424(b) under the Securities Act and that was used after the initial effectiveness of the Registration Statement and prior to the Applicable Time (as defined below) is referred to herein as the "Pricing Prospectus". The Pricing Prospectus and the Issuer Free

Writing Prospectuses identified in Section B of Schedule III hereby considered together, are referred to herein as the "Pricing Package".

(b) (i) At the earliest time after the filing of the Registration Statement that the Issuer or another offering participant made a bona fide offer (within the meaning of Rule 164(h)(2) of the Securities Act) of the Bonds and (ii) at the date hereof, the Issuer was and is not an "ineligible issuer," as defined in Rule 405 under the Securities Act.

(c) At the time the Registration Statement initially became effective, at the time of each amendment (whether by post-effective amendment, incorporated report or form of prospectus) and on the Effective Date relating to the Bonds, the Registration Statement, fully complied, and the Final Prospectus, both as of its date and at the Closing Date, and the Indenture, at the Closing Date, will fully comply in all material respects with the applicable provisions of the Securities Act and the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"), and, in each case, the applicable instructions, rules and regulations of the Commission thereunder; the Registration Statement, at each of the aforementioned dates, did not and will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading; the Final Prospectus, both as of its date and at the Closing Date, will not contain an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances in which they were made, not misleading; and on said dates the Incorporated Documents, taken together as a whole, fully complied or will fully comply in all material respects with the applicable provisions of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the applicable rules and regulations of the Commission thereunder; provided that the foregoing representations and warranties in this paragraph (c) shall not apply to statements or omissions made in reliance upon and in conformity with any Underwriter Information as defined in Section 11(b) below or to any statements in or omissions from any Statements of Eligibility on Form T-1 (or amendments thereto) of the Indenture Trustee under the Indenture filed as exhibits to the Registration Statement or Incorporated Documents or to any statements or omissions made in the Registration Statement or the Final Prospectus relating to The Depository Trust Company ("DTC") Book-Entry System that are based solely on information contained in published reports of the DTC.

(d) As of its date, at the Applicable Time (as defined below) and on the date of its filing, if applicable, the Pricing Prospectus and each Issuer Free Writing Prospectus (as defined below) (other than the Pricing Term Sheet, as defined in Section 5(b) below), did not include any untrue statement of a material fact nor when considered together, omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances in which they were made, not misleading (except that the principal amount of the Bonds, the tranches, the initial principal balances, the scheduled final payment dates, the final maturity dates, the expected average lives, the Expected Amortization Schedule and the Expected Sinking Fund Schedule described in the Pricing Prospectus were subject to completion or change based on market conditions and the interest rate, price to the public and underwriting discounts and commissions for each

tranche was not included in the Pricing Prospectus). The Pricing Package, at the Applicable Time did not, and at all subsequent times through the completion of the offer and the sale of the Bonds on the Closing Date will not, include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances in which they are made, not misleading. The two preceding sentences do not apply to statements in or omissions from the Pricing Prospectus, the Pricing Term Sheet or any other Issuer Free Writing Prospectus in reliance upon and in conformity with any Underwriter Information. "Issuer Free Writing Prospectus" means any "issuer free writing prospectus," as defined in Rule 433(h), relating to the Bonds, in the form filed or required to be filed with the Commission or, if not required to be filed, in the form required to be retained in the Issuer's records pursuant to Rule 433(g) of the Securities Act. References to the term "Free Writing Prospectus" shall mean a free writing prospectus, as defined in Rule 405 under the Securities Act. References to the term "Applicable Time" mean [: AM/PM], eastern time, on the date hereof, except that if, subsequent to such Applicable Time, the Issuer, APCo and the Underwriters have determined that the information contained in the Pricing Prospectus or any Issuer Free Writing Prospectus issued prior to such Applicable Time included an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in the light of the circumstances in which they were made, not misleading and the Issuer, APCo and the Underwriters have agreed to terminate the old purchase contracts and have entered into new purchase contracts with purchasers of the Bonds, then "Applicable Time" will refer to the first of such times when such new purchase contracts are entered into. The Issuer represents, warrants and agrees that it has treated and agrees that it will treat each of the free writing prospectuses listed on Schedule III hereto as an Issuer Free Writing Prospectus, and that each such Issuer Free Writing Prospectus has fully complied and will fully comply with the applicable requirements of Rules 164 and 433, including timely Commission filing where required, legending and record keeping.

(e) Each Issuer Free Writing Prospectus, as of its issue date and at all subsequent times through the completion of the offer and sale of the Bonds on the Closing Date or until any earlier date that the Issuer notified or notifies the Representatives as described in the next sentence, did not, does not and will not include any information that conflicted, conflicts or will conflict with the information then contained in the Registration Statement. If at any time following issuance of an Issuer Free Writing Prospectus an event or development has occurred or occurs, the result of which is that such Issuer Free Writing Prospectus conflicts or would conflict with the information then contained in the Registration Statement or includes or would include an untrue statement of a material fact or, when considered together with the Pricing Prospectus, omits or would omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances prevailing at that subsequent time, not misleading, (i) APCo or the Issuer has promptly notified or will promptly notify the Representatives and (ii) APCo or the Issuer has promptly amended or will promptly amend or supplement such Issuer Free Writing Prospectus to eliminate or correct such conflict, untrue statement or omission. The foregoing two sentences do not apply to

statements in or omissions from any Issuer Free Writing Prospectus in reliance upon and in conformity with any Underwriter Information.

(f) The Issuer has been duly formed and is validly existing as a limited liability company in good standing under the Limited Liability Company Act of the State of Delaware, as amended, with full limited liability company power and authority to execute, deliver and perform its obligations under this Underwriting Agreement, the Bonds, the Sale Agreement and the Bill of Sale, the Servicing Agreement, the Indenture, the LLC Agreement, the Administration Agreement and the other agreements and instruments contemplated by the Pricing Prospectus (collectively, the "Issuer Documents") and to own its properties and conduct its business as described in the Pricing Prospectus; the Issuer has been duly qualified as a foreign limited liability company for the transaction of business and is in good standing under the laws of each other jurisdiction in which it owns or leases properties or conducts any business so as to require such qualification, except where failure to so qualify or to be in good standing would not have a material adverse effect on the business, properties or financial condition of the Issuer; the Issuer has conducted and will conduct no business in the future that would be inconsistent with the description of the Issuer's business set forth in the Pricing Prospectus; the Issuer is not a party to or bound by any agreement or instrument other than the Issuer Documents and other agreements or instruments incidental to its formation; the Issuer has no material liabilities or obligations other than those arising out of the transactions contemplated by the Issuer Documents and as described in the Pricing Prospectus; APCo is the beneficial owner of all of the limited liability company interests of the Issuer; and based on current law, the Issuer is not classified as an association taxable as a corporation for United States federal income tax purposes.

(g) The issuance and sale of the Bonds by the Issuer, the purchase of the CRR Property by the Issuer from APCo and the consummation of the transactions herein contemplated by the Issuer, and the fulfillment of the terms hereof on the part of the Issuer to be fulfilled, will not result in a breach of any of the terms or provisions of, or constitute a default under the Issuer's certificate of formation or limited liability company agreement (collectively, the "Issuer Charter Documents"), or any indenture, mortgage, deed of trust or other agreement or instrument to which the Issuer is now a party.

(h) This Underwriting Agreement has been duly authorized, executed and delivered by the Issuer, which has the necessary limited liability company power and authority to execute, deliver and perform its obligations under this Underwriting Agreement.

(i) The Issuer (i) is not in violation of the Issuer Charter Documents, (ii) is not in default and no event has occurred which, with notice or lapse of time or both, would constitute such a default, in the due performance or observance of any term, covenant or condition contained in any indenture, mortgage, deed of trust or other agreement or instrument to which it is a party or by which it is bound or to which any of its properties is subject, except for any such defaults that would not, individually or in the aggregate, have a material adverse effect on its business, property or financial condition,

and (iii) is not in violation of any law, ordinance, governmental rule, regulation or court decree to which it or its property may be subject, except for any such violations that would not, individually or in the aggregate, have a material adverse effect on its business, property or financial condition.

(j) The Indenture has been duly authorized by the Issuer, and, on the Closing Date, will have been duly executed and delivered by the Issuer and will be a valid and binding instrument, enforceable against the Issuer in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium or other similar laws relating to or affecting creditors' or secured parties' rights generally and by 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; and limitations on enforceability of rights to indemnification by federal or state securities laws or regulations or by public policy. On the Closing Date, the Indenture will (i) comply as to form in all material respects with the requirements of the Trust Indenture Act and (ii) conform in all material respects to the description thereof in the Pricing Prospectus and Final Prospectus.

(k) The Bonds have been duly authorized by the Issuer for issuance and sale to the Underwriters pursuant to this Underwriting Agreement and, when executed by the Issuer and authenticated by the Indenture Trustee in accordance with the Indenture and delivered to the Underwriters against payment therefor in accordance with the terms of this Underwriting Agreement, will constitute valid and binding obligations of the Issuer entitled to the benefits of the Indenture and enforceable against the Issuer in accordance with their terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium or other similar laws relating to or affecting creditors' or secured parties' rights generally and by 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; and limitations on enforceability of rights to indemnification by federal or state securities laws or regulations or by public policy, and the Bonds conform in all material respects to the description thereof in the Pricing Prospectus and Final Prospectus. The Issuer has all requisite limited liability company power and authority to issue, sell and deliver the Bonds in accordance with and upon the terms and conditions set forth in this Underwriting Agreement and in the Pricing Prospectus and Final Prospectus.

(l) There is no litigation or governmental proceeding to which the Issuer is a party or to which any property of the Issuer is subject or which is pending or, to the knowledge of the Issuer, threatened against the Issuer that could reasonably be expected to, individually or in the aggregate, result in a material adverse effect on the Issuer's business, property or financial condition.

(m) Other than the filing of the issuance advice letter and non-action on the part of the West Virginia Public Service Commission ("WVPSC") contemplated by Ordering Section B of the financing order issued by the WVPSC on September 20, 2013 to the Company (the "Financing Order"), no approval, authorization, consent or order of

any public board or body (except such as have been already obtained and other than in connection or in compliance with the provisions of applicable blue-sky laws or securities laws of any state, as to which the Issuer makes no representations or warranties), is legally required for the issuance and sale by the Issuer of the Bonds.

(n) The Issuer is not, and, after giving effect to the sale and issuance of the Bonds, will not be an "investment company" within the meaning of the Investment Company Act of 1940, as amended (the "1940 Act").

(o) The nationally recognized accounting firm which has performed certain procedures with respect to certain statistical and structural information contained in the Pricing Prospectus and the Final Prospectus, are independent public accountants.

(p) Each of the Sale Agreement, the Servicing Agreement, the Administration Agreement and LLC Agreement has been duly authorized by the Issuer, and when executed and delivered by the Issuer and the other parties thereto, will constitute a valid and legally binding obligation of the Issuer, enforceable against the Issuer in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium or other similar laws relating to or affecting creditors' or secured parties' rights generally and by 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, and limitations on enforceability of rights to indemnification by federal or state securities laws or regulations or by public policy.

(q) The Issuer has complied with the written representations, acknowledgements and covenants (the "17g-5 Representations") relating to compliance with Rule 17g-5 under the Exchange Act set forth in the (i) undertaking, dated as of [ ], 2013, by the Issuer to Moody's (as defined below) and (ii) letter, dated [ ], 2013, from the Issuer to S&P (as defined below, and together with Moody's, the "Rating Agencies") and the Issuer (collectively, the "Rating Agency Letters"), other than (x) any noncompliance of the 17g-5 Representations that would not have a material adverse effect on the rating of the Bonds or the Bonds or (y) any noncompliance arising from the breach by an Underwriter of the representations and warranties and covenants set forth in Section 13 hereof.

(r) The Issuer will comply, and has complied, in all material respects, with its diligence and disclosure obligations in respect to the Bonds under Rule 193 of the Act and Items 1111(a)(7) and 1111(a)(8) of Regulation AB.

4. Representations and Warranties of APCo. APCo represents and warrants to the several Underwriters that:

(a) APCo, in its capacity as co-registrant and sponsor with respect to the Bonds, meets the requirements to use Form S-3 under the Securities Act and has filed with the Commission Registration Statement Nos. 333-191392 and 333-191392-01 for the registration under the Securities Act of up to $382,000,000 aggregate principal

amount of the Bonds. Registration Statement Nos. 333-191392 and 333-191392-01 have been declared effective by the Commission and no stop order suspending such effectiveness has been issued under the Securities Act and no proceedings for that purpose have been instituted or are pending or, to the knowledge of APCo, threatened by the Commission.

(b) (i) At the earliest time after the filing of the Registration Statement that the Issuer or another offering participant made a bona fide offer (within the meaning of Rule 164(h)(2)) of the Bonds and (ii) at the date hereof, APCo was not and it is not an "ineligible issuer", as defined in Rule 405 under the Securities Act.

(c) At the time the Registration Statement initially became effective, at the time of each amendment (whether by post-effective amendment, incorporated report or form of prospectus) and on the Effective Date relating to the Bonds, the Registration Statement fully complied, and the Final Prospectus, both as of its date and at the Closing Date, and the Indenture, at the Closing Date, will fully comply in all material respects with the applicable requirements of the Securities Act and the Trust Indenture Act, and, in each case, the applicable instructions, rules and regulations of the Commission thereunder; the Registration Statement, at the date it initially became effective and at the Effective Date, did not contain an untrue statement of a material fact, or omit to state a material fact required to be stated therein or necessary to make the statements therein, not misleading; the Final Prospectus, both as of its date and at and as of the Closing Date, will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances in which they were made, not misleading; provided, that the foregoing representations and warranties in this paragraph (c) shall not apply to statements or omissions made in reliance upon and in conformity with any Underwriter Information or to any statements in or omissions from any Statement of Eligibility on Form T-1, or amendments thereto, of the Indenture Trustee under the Indenture filed as exhibits to the Registration Statement or Incorporated Documents or to any statements or omissions made in the Registration Statement or the Final Prospectus relating to The Depository Trust Company ("DTC") Book-Entry System that are based solely on information contained in published reports of the DTC.

(d) As of its date, at the Applicable Time and on the date of its filing, if applicable, the Pricing Prospectus and each Issuer Free Writing Prospectus (other than the Pricing Term Sheet), considered together, did not include any untrue statement of a material fact or when considered together, did not, does not and will not omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances in which they were made, not misleading (except that (i) the principal amount of the Bonds, the tranches, the initial principal balances, the scheduled final payment dates, the final maturity dates, the expected average lives, the Expected Amortization Schedule and the Expected Sinking Fund Schedule described in the Pricing Prospectus were subject to change based on market conditions, and the interest rate, price to the public and underwriting discounts and commissions for each tranche was not included in the Pricing Prospectus). The Pricing Package, at the Applicable Time, and at

all subsequent times through the completion of the offer and the sale of the Bonds on the Closing Date will not, include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances in which they were made, not misleading. The two preceding sentences do not apply to statements in or omissions from the Pricing Prospectus, the Pricing Term Sheet or any other Issuer Free Writing Prospectus in reliance upon and in conformity with any Underwriter Information. APCo represents, warrants and agrees that it has treated and agrees that it will treat each of the free writing prospectuses listed on Schedule III hereto as an Issuer Free Writing Prospectus, and that each such Issuer Free Writing Prospectus has fully complied and will fully comply with the applicable requirements of Rules 164 and 433, including timely Commission filing where required, legending and record keeping.

(e) Each Issuer Free Writing Prospectus, as of its issue date and at all subsequent times through the completion of the offer and sale of the Bonds on the Closing Date or until any earlier date that the Issuer or APCo notified or notifies the Representatives as described in the next sentence, did not, does not and will not include any information that conflicted, conflicts or will conflict with the information then contained in the Registration Statement. If at any time following issuance of an Issuer Free Writing Prospectus there occurred or occurs an event or development as a result of which such Issuer Free Writing Prospectus conflicted or would conflict with the information then contained in the Registration Statement or included or would include an untrue statement of a material fact or, when considered together with the Pricing Prospectus, omitted or would omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances prevailing at that subsequent time, not misleading, (i) APCo or the Issuer has promptly notified or will promptly notify the Representatives and (ii) APCo or the Issuer has promptly amended or will promptly amend or supplement such Issuer Free Writing Prospectus to eliminate or correct such conflict, untrue statement or omission. The foregoing two sentences do not apply to statements in or omissions from any Issuer Free Writing Prospectus in reliance upon and in conformity with any Underwriter Information.

(f) APCo has been duly formed and is validly existing as a corporation in good standing under the laws of the jurisdiction of its formation, has the corporate power and authority to own, lease and operate its properties and to conduct its business as presently conducted and as set forth in or contemplated by the Pricing Prospectus, and is qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure to so qualify or be in good standing would not have a material adverse effect on the business, property or financial condition of APCo and its subsidiaries considered as a whole, and has all requisite power and authority to sell CRR Property as described in the Pricing Prospectus and to execute, deliver and otherwise perform its obligation under any Issuer Document to which it is a party. APCo is the beneficial owner of all of the limited liability company interests of the Issuer.

(g) APCo has no significant subsidiaries within the meaning of Rule 1-02(w) of Regulation S-X.

(h) The transfer by APCo of all of its rights and interests under the Financing Order relating to the Bonds to the Issuer and the consummation of the transactions herein contemplated by APCo, and the fulfillment of the terms hereof on the part of APCo to be fulfilled, will not result in a breach of any of the terms or provisions of, or constitute a default under, APCo's articles of incorporation or bylaws (collectively, the "APCo Charter Documents"), or in a material breach of any of the terms of, or constitute a material default under, any indenture, mortgage, deed of trust or other agreement or instrument to which APCo is now a party.

(i) This Underwriting Agreement has been duly authorized, executed and delivered by APCo, which has the necessary corporate power and authority to execute, deliver and perform its obligations under this Underwriting Agreement.

(j) APCo (i) is not in violation of the APCo Charter Documents, (ii) is not in default and no event has occurred which, with notice or lapse of time or both, would constitute such a default, in the due performance or observance of any term, covenant or condition contained in any indenture, mortgage, deed of trust or other agreement or instrument to which it is a party or by which it is bound or to which any of its properties is subject, except for any such defaults that would not, individually or in the aggregate, have a material adverse effect on the business, property or financial condition of APCo and its subsidiaries considered as a whole, or (iii) is not in violation of any law, ordinance, governmental rule, regulation or court decree to which it or its property may be subject, except for any such violations that would not, individually or in the aggregate, have a material adverse effect on the business, property or financial condition of APCo and its subsidiaries considered as a whole.

(k) Except as set forth or contemplated in the Pricing Prospectus, there is no litigation or governmental proceeding to which APCo or any of its subsidiaries is a party or to which any property of APCo or any of its subsidiaries is subject or which is pending or, to the knowledge of APCo, threatened against APCo or any of its subsidiaries that would reasonably be expected to, individually or in the aggregate, result in a material adverse effect on the Issuer's business, property, or financial condition or on APCo's ability to perform its obligations under the Sale Agreement, the Administration Agreement and the Servicing Agreement.

(l) Other than the filing of the issuance advice letter and non-action on the part of the WVPSC contemplated by Ordering Section B of the Financing Order, no approval, authorization, consent or order of any public board or body (except such as have been already obtained and other than in connection or in compliance with the provisions of applicable blue-sky laws or securities laws of any state, as to which APCo makes no representations or warranties), is legally required for the issuance and sale by the Issuer of the Bonds.

(m) APCo is not and after giving effect to the sale and issuance of the Bonds, neither APCo or the Issuer will be, an "investment company" within the meaning of the 1940 Act.

(n) Each of the Sale Agreement and Servicing Agreement and Administration Agreement has been duly and validly authorized by APCo, and when executed and delivered by APCo and the other parties thereto will constitute a valid and legally binding obligation of APCo, enforceable against APCo in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium or other similar laws relating to or affecting creditors' or secured parties' rights generally and by 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, and limitations on enforceability of rights to indemnification by federal or state securities laws or regulations or by public policy.

(o) There are no West Virginia transfer taxes related to the transfer of the CRR Property or the issuance and sale of the Bonds to the Underwriters pursuant to this Underwriting Agreement required to be paid at or prior to the Closing Date by APCo or the Issuer.

(p) The nationally recognized accounting firm referenced in Section 3(o) and 9(t) is a firm of independent public accountants with respect to APCo as required by the Securities Act and the rules and regulations of the Commission thereunder.

(q) APCo, in its capacity as sponsor with the respect to the Bonds, has caused the Issuer to comply with the 17g-5 Representations, other than (x) any noncompliance of the 17g-5 Representations that would not have a material adverse effect on the rating of the Bonds or the Bonds or (y) any noncompliance arising from the breach by an Underwriter of the representations and warranties and covenants set forth in Section 13 hereof.

(r) APCo will comply, and has complied, in all material respects, with its diligence and disclosure obligations in respect to the Bonds under Rule 193 of the Act and Items 1111(a)(7) and 1111(a)(8) of Regulation AB.

(s) APCo is not party to any accounts receivable sale or financing transactions for the sale or financing of receivables generated by its West Virginia electric distribution business.

5. Investor Communications.

(a) Issuer and APCo each represents and agrees that, unless it has obtained or obtains the prior consent of the Representatives, and each Underwriter represents and agrees that, unless it has obtained or obtains the prior consent of the Issuer and APCo and the Representatives, it has not made and will not make any offer relating to the Bonds that would constitute an Issuer Free Writing Prospectus, or that would otherwise

constitute a "free writing prospectus," required to be filed by the Issuer or APCo, as applicable, with the Commission or retained by the Issuer or APCo, as applicable, under Rule 433 under the Securities Act; provided that the prior written consent of the parties hereto shall be deemed to have been given in respect of the Term Sheets and each other Free Writing Prospectus identified in Schedule III hereto.

(b) APCo and the Issuer (or the Representatives at the direction of the Issuer) will prepare a final pricing term sheet relating to the Bonds (the "Pricing Term Sheet"), containing only information that describes the final pricing terms of the Bonds and otherwise in a form consented to by the Representatives, and will file the Pricing Term Sheet within the period required by Rule 433(d)(5)(ii) under the Securities Act following the date such final pricing terms have been established for all classes of the offering of the Bonds. The Pricing Term Sheet is an Issuer Free Writing Prospectus for purposes of this Underwriting Agreement.

(c) Each Underwriter may provide to investors one or more of the Free Writing Prospectuses, including the preliminary term sheet, as filed by the Issuer with the Commission on November [ ], 2013 and the Pricing Term Sheet (collectively, the "Term Sheets"), subject to the following conditions:

(i) Unless preceded or accompanied by a prospectus satisfying the requirements of Section 10(a) of the Securities Act, an Underwriter shall not convey or deliver any Written Communication (as defined herein) to any person in connection with the initial offering of the Bonds, unless such Written Communication (i) is made in reliance on Rule 134 under the Securities Act, (ii) constitutes a prospectus satisfying the requirements of Rule 430B under the Securities Act, (iii) constitutes "ABS informational and computational information" as defined in Item 1101 of Regulation AB, (iv) is an Issuer Free Writing Prospectus listed on Schedule III hereto or (v) is an Underwriter Free Writing Prospectus (as defined below). "Written Communication" has the same meaning as that term is defined in Rule 405 under the Securities Act.

An "Underwriter Free Writing Prospectus" means any free writing prospectus that contains only preliminary or final terms of the Bonds and is not required to be filed by APCo or the Issuer pursuant to Rule 433 and that contains information substantially the same as the information contained in the Pricing Prospectus or Pricing Term Sheet (including, without limitation, (i) the class, size, rating, price, CUSIPs, coupon, yield, spread, benchmark, status and/or legal maturity date of the Bonds, the weighted average life, expected first and final payment dates, trade date, settlement date, transaction parties, credit enhancement, logistical details related to the location and timing of access to the roadshow, ERISA eligibility, legal investment status and payment window of one or more classes of Bonds and (ii) a column or other entry showing the status of the subscriptions for the Bonds, both for the Bonds as a whole and for each Underwriter's retention, and/or expected pricing parameters of the Bonds).

(ii) Each Underwriter shall comply with all applicable laws and regulations in connection with the use of Free Writing Prospectuses and Term Sheets, including but not limited to Rules 164 and 433 under the Securities Act.

(iii) All Free Writing Prospectuses provided to investors, whether or not filed with the Commission, shall bear a legend including substantially the following statement:

> The Issuer has filed a registration statement (including a prospectus) with the SEC for the offering to which this communication relates. Before you invest, you should read the prospectus in that registration statement and other documents the Issuer has filed with the SEC for more complete information about the Issuer and the offering. You may get these documents for free by visiting EDGAR on the SEC web site at www.sec.gov. Alternatively, Issuer, any underwriter or any dealer participating in the offering will arrange to send you the base prospectus if you request it by calling toll free at [1-866-718-1649].

The Issuer and the Representatives shall have the right to require additional specific legends or notations to appear on any Free Writing Prospectus, the right to require changes regarding the use of terminology and the right to determine the types of information appearing therein with the approval of, in the case of the Issuer, Representatives and, in the case of the Representatives, the Issuer (which in either case shall not be unreasonably withheld).

(iv) Each Underwriter covenants with the Issuer and APCo that after the Final Prospectus is available such Underwriter shall not distribute any written information concerning the Bonds to an investor unless such information is preceded or accompanied by the Final Prospectus or by notice to the investor that the Final Prospectus is available for free by visiting EDGAR on the SEC website at www.sec.gov.

(v) Each Underwriter covenants that if an Underwriter shall use an Underwriter Free Writing Prospectus that contains information in addition to (x) "issuer information", including information with respect to APCo, as defined in Rule 433(h)(2) or (y) the information in the Pricing Package, the liability arising from its use of such additional information shall be the sole responsibility of the Underwriter using such Underwriting Free Writing Prospectus unless the Underwriter Free Writing Prospectus (or any information contained therein) was consented to in advance by APCo; provided, however, that, for the avoidance of doubt, this clause (v) shall not be interpreted as tantamount to the indemnification obligations contained in Section 11(b) hereof.

6. Purchase and Sale. On the basis of the representations and warranties herein contained, and subject to the terms and conditions herein set forth, the Issuer shall sell to each of the Underwriters, and each Underwriter shall purchase from the Issuer, at the time and place herein specified, severally and not jointly, at the purchase price set forth in Schedule I hereto, the principal amount of the Bonds set forth opposite such Underwriter's name in

Schedule II hereto. The Underwriters agree to make a public offering of the Bonds. The Issuer shall pay (in the form of a discount to the principal amount of the offered Bonds) to the Underwriters a commission equal to $[ ].

7. Time and Place of Closing. Delivery of the Bonds against payment of the aggregate purchase price therefor by wire transfer in federal funds shall be made at the place, on the date and at the time specified in Schedule I hereto, or at such other place, time and date as shall be agreed upon in writing by the Issuer and the Representatives. The hour and date of such delivery and payment are herein called the "Closing Date". The Bonds shall be delivered to DTC or to U.S. Bank National Association, as custodian for DTC, in fully registered global form registered in the name of Cede & Co., for the respective accounts specified by the Representatives not later than the close of business on the business day preceding the Closing Date or such other time as may be agreed upon by the Representatives. The Issuer agrees to make the Bonds available to the Representatives for checking purposes not later than 1:00 P.M. New York Time on the last business day preceding the Closing Date at the place specified for delivery of the Bonds in Schedule I hereto, or at such other place as the Issuer may specify.

If any Underwriter shall fail or refuse to purchase and pay for the aggregate principal amount of Bonds that such Underwriter has agreed to purchase and pay for hereunder, the Issuer shall immediately give notice to the other Underwriters of the default of such Underwriter, and the other Underwriters shall have the right within 24 hours after the receipt of such notice to determine to purchase, or to procure one or more others, who are members of the Financial Industry Regulatory Authority ("FINRA") (or, if not members of the FINRA, who are not eligible for membership in the FINRA and who agree (i) to make no sales within the United States, its territories or its possessions or to persons who are citizens thereof or residents therein and (ii) in making sales to comply with the FINRA's Conduct Rules) and satisfactory to the Issuer, to purchase, upon the terms herein set forth, the aggregate principal amount of Bonds that the defaulting Underwriter had agreed to purchase. If any non-defaulting Underwriter or Underwriters shall determine to exercise such right, such Underwriter or Underwriters shall give written notice to the Issuer of the determination in that regard within 24 hours after receipt of notice of any such default, and thereupon the Closing Date shall be postponed for such period, not exceeding three business days, as the Issuer shall determine. If in the event of such a default no non-defaulting Underwriter shall give such notice, then this Underwriting Agreement may be terminated by the Issuer, upon like notice given to the non-defaulting Underwriters, within a further period of 24 hours. If in such case the Issuer shall not elect to terminate this Underwriting Agreement it shall have the right, irrespective of such default:

(a) to require each non-defaulting Underwriter to purchase and pay for the respective aggregate principal amount of Bonds that it had agreed to purchase hereunder as hereinabove provided and, in addition, the aggregate principal amount of Bonds that the defaulting Underwriter shall have so failed to purchase up to an aggregate principal amount of Bonds equal to one-ninth (1/9) of the aggregate principal amount of Bonds that such non-defaulting Underwriter has otherwise agreed to purchase hereunder, and/or

(b) to procure one or more persons, reasonably acceptable to the Representatives, who are members of the FINRA (or, if not members of the FINRA, who are not eligible for membership in the FINRA and who agree (i) to make no sales within

the United States, its territories or its possessions or to persons who are citizens thereof or residents therein and (ii) in making sales to comply with the FINRA's Conduct Rules), to purchase, upon the terms herein set forth, either all or a part of the aggregate principal amount of Bonds that such defaulting Underwriter had agreed to purchase or that portion thereof that the remaining Underwriters shall not be obligated to purchase pursuant to the foregoing clause (a).

In the event the Issuer shall exercise its rights under (a) and/or (b) above, the Issuer shall give written notice thereof to the non-defaulting Underwriters within such further period of 24 hours, and thereupon the Closing Date shall be postponed for such period, not exceeding three business days, as the Issuer shall determine.

In the computation of any period of 24 hours referred to in this Section 7, there shall be excluded a period of 24 hours in respect of each Saturday, Sunday or legal holiday that would otherwise be included in such period of time.

Any action taken by the Issuer or APCo under this Section 7 shall not relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under this Underwriting Agreement. Termination of this Underwriting Agreement pursuant to Section 7 shall be without any liability on the part of the Issuer, APCo or any non-defaulting Underwriter, except as otherwise provided in Sections 8(a)(vi) and 11 hereof.

8. Covenants.

(a) Covenants of the Issuer. The Issuer covenants and agrees with the several Underwriters that:

(i) The Issuer will upon request promptly deliver to the Representatives and Counsel to the Underwriters a conformed copy of the Registration Statement, certified by an officer of the Issuer to be in the form as originally filed, including all Incorporated Documents and exhibits and all amendments thereto.

(ii) The Issuer will deliver to the Underwriters, as soon as practicable after the date hereof, as many copies of the Pricing Prospectus and Final Prospectus as they may reasonably request.

(iii) The Issuer will cause or has caused the Final Prospectus to be filed with the Commission pursuant to Rule 424 as soon as practicable and will advise the Underwriters of any stop order suspending the effectiveness of the Registration Statement or the institution of any proceeding therefor of which Issuer shall have received notice. The Issuer will use its reasonable best efforts to prevent the issuance of any such stop order and, if issued, to obtain as soon as possible the withdrawal thereof. The Issuer has complied and will comply with Rule 433 under the Securities Act in connection with the offering of the Bonds.

(iv) If, during such period of time (not exceeding nine months) after the Final Prospectus has been filed with the Commission pursuant to Rule 424 as in the opinion of Counsel for the Underwriters a prospectus covering the Bonds is required by law to be delivered in connection with sales by an Underwriter or dealer (including in circumstances where such requirement may be satisfied pursuant to Rule 172 under the Securities Act), any event relating to or affecting the Issuer, the Bonds or the CRR Property or of which the Issuer shall be advised in writing by the Representatives shall occur that in the Issuer's reasonable judgment after consultation with Counsel for the Underwriters (as defined below) should be set forth in a supplement to, or an amendment of the Pricing Package or the Final Prospectus in order to make the Pricing Package or the Final Prospectus not misleading in the light of the circumstances when it is delivered to a purchaser (including in circumstances where such requirement may be satisfied pursuant to Rule 172 under the Securities Act), the Issuer will, at its expense, amend or supplement the Pricing Package or the Final Prospectus by either (A) preparing and furnishing to the Underwriters at the Issuer's expense a reasonable number of copies of a supplement or supplements or an amendment or amendments to the Pricing Package or the Final Prospectus or (B) making an appropriate filing pursuant to Section 13 or Section 15 of the Exchange Act, which will supplement or amend the Pricing Package or the Final Prospectus so that, as supplemented or amended, it will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances when the Pricing Package or the Final Prospectus is delivered to a purchaser (including in circumstances where such requirement may be satisfied pursuant to Rule 172 under the Securities Act), not misleading; provided that should such event relate solely to the activities of any of the Underwriters, then such Underwriters shall assume the expense of preparing and furnishing any such amendment or supplement. The Issuer will also fulfill its obligations set out in Section 3(e) above.

(v) The Issuer will furnish such proper information as may be lawfully required and otherwise cooperate in qualifying the Bonds for offer and sale under the blue-sky laws of the states of the United States as the Representatives may designate; provided that the Issuer shall not be required to qualify as a foreign limited liability company or dealer in securities, to file any consents to service of process under the laws of any jurisdiction, or meet any other requirements deemed by the Issuer to be unduly burdensome.

(vi) The Issuer or APCo will, except as herein provided, pay or cause to be paid all expenses and taxes (except transfer taxes) in connection with (i) the preparation and filing by it of the Registration Statement, Pricing Prospectus and Final Prospectus (including any amendments and supplements thereto) and any Issuer Free Writing Prospectuses, (ii) the issuance and delivery of the Bonds as provided in Section 7 hereof (including, without limitation, reasonable fees and disbursements of Counsel for the Underwriters and all trustee, rating agency and WVPSC advisor fees), (iii) the qualification of the Bonds under blue-sky laws (including counsel fees not to exceed $15,000), (iv) the printing and delivery to

the Underwriters of reasonable quantities of the Registration Statement and, except as provided in Section 8(a)(iv) hereof, of the Pricing Package and Final Prospectus. If the obligation of the Underwriters to purchase the Bonds terminates in accordance with the provisions of Sections 7 (but excluding terminations arising thereunder out of an Underwriter default), 9, 10 or 12 hereof, the Issuer or APCo (i) will reimburse the Underwriters for the reasonable fees and disbursements of Counsel for the Underwriters, and (ii) will reimburse the Underwriters for their reasonable out-of-pocket expenses, such out-of pocket expenses in an aggregate amount not exceeding $200,000, incurred in contemplation of the performance of this Underwriting Agreement. The Issuer shall not in any event be liable to any of the several Underwriters for damages on account of loss of anticipated profits.

(vii) During the period from the date of this Underwriting Agreement to the date that is five days after the Closing Date, the Issuer will not, without the prior written consent of the Representatives, offer, sell or contract to sell, or otherwise dispose of, directly or indirectly, or announce the offering of, any asset-backed securities (other than the Bonds).

(viii) To the extent, if any, that any rating necessary to satisfy the condition set forth in Section 9(w) of this Underwriting Agreement is conditioned upon the furnishing of documents or the taking of other actions by the Issuer on or after the Closing Date, the Issuer shall furnish such documents and take such other actions.

(ix) For a period from the date of this Underwriting Agreement until the retirement of the Bonds or until such time as the Underwriters shall cease to maintain a secondary market in the Bonds, whichever occurs first, the Issuer shall file with the Commission, and to the extent permitted by and consistent with the Issuer's obligations under applicable law, make available on the website associated with the Issuer's parent, such periodic reports, if any, as are required (without regard to the number of holders of Bonds to the extent permitted by and consistent with the Issuer's obligations under applicable law) from time to time under Section 13 or Section 15(d) of the Exchange Act; provided that the Issuer shall not voluntarily suspend or terminate its filing obligations with the Commission unless permitted under applicable law and the terms of the Basic Documents. The Issuer shall also, to the extent permitted by and consistent with the Issuer's obligations under applicable law, include in the periodic and other reports to be filed with the Commission as provided above or posted on the website associated with the Issuer's parent, such information as required by Section 3.07(g) of the Indenture with respect to the Bonds. To the extent that the Issuer's obligations are terminated or limited by an amendment to Section 3.07(g) of the Indenture, or otherwise, such obligations shall be correspondingly terminated or limited hereunder.

(x) The Issuer and APCo will not file any amendment to the Registration Statement or amendment or supplement to the Final Prospectus or

amendment or supplement to the Pricing Package during the period when a prospectus relating to the Bonds is required to be delivered under the Securities Act, without prior notice to the Underwriters, or to which Hunton & Williams LLP, who are acting as counsel for the Underwriters ("Counsel for the Underwriters"), shall reasonably object by written notice to APCo and the Issuer.

(xi) So long as any of the Bonds are outstanding, the Issuer will furnish to the Representatives, if and to the extent not posted on the Issuer or its affiliate's website, (A) as soon as available, a copy of each report of the Issuer filed with the Commission under the Exchange Act or mailed to the Bondholders (to the extent such reports are not publicly available on the Commission's website), (B) a copy of any filings with the WVPSC pursuant to the Financing Order including, but not limited to, any issuance advice letter or any annual, semi-annual or more frequent True-Up Adjustment filings, and (C) from time to time, any information concerning the Issuer as the Representatives may reasonably request.

(xii) So long as the Bonds are rated by any Rating Agency, the Issuer will comply with the 17g-5 Representations, other than (x) any noncompliance of the 17g-5 Representations that would not have a material adverse effect on the rating of the Bonds or the Bonds or (y) any noncompliance arising from the breach by an Underwriter of the representations and warranties and covenants set forth in Section 13 hereof.

(b) Covenants of APCo. APCo covenants and agrees with the several Underwriters that, to the extent that the Issuer has not already performed such act pursuant to Section 8(a):

(i) To the extent permitted by applicable law and the agreements and instruments that bind APCo, APCo will use its reasonable best efforts to cause the Issuer to comply with the covenants set forth in Section 8(a) hereof.

(ii) APCo will use its reasonable best efforts to prevent the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement and, if issued, to obtain as soon as possible the withdrawal thereof.

(iii) If, during such period of time (not exceeding nine months) after the Final Prospectus has been filed with the Commission pursuant to Rule 424 as in the opinion of Counsel for the Underwriters a prospectus covering the Bonds is required by law to be delivered in connection with sales by an Underwriter or dealer (including in circumstances where such requirement may be satisfied pursuant to Rule 172 under the Securities Act), any event relating to or affecting APCo, the Bonds or the CRR Property or of which APCo shall be advised in writing by the Representatives shall occur that in APCo's reasonable judgment after consultation with Counsel for the Underwriters should be set forth in a supplement to, or an amendment of, the Final Prospectus in order to make the Final Prospectus not misleading in the light of the circumstances when it is delivered to a purchaser (including in circumstances where such requirement may

be satisfied pursuant to Rule 172 under the Securities Act), APCo will cause the Issuer, at APCo's or the Issuer's expense, to amend or supplement the Final Prospectus, as applicable, by either (A) preparing and furnishing to the Underwriters at APCo's or the Issuer's expense a reasonable number of copies of a supplement or supplements or an amendment or amendments to the Final Prospectus or (B) causing the Issuer to make an appropriate filing pursuant to Section 13 or Section 15 of the Exchange Act, which will supplement or amend the Final Prospectus so that, as supplemented or amended, it will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances when the Final Prospectus is delivered to a purchaser (including in circumstances where such requirement may be satisfied pursuant to Rule 172 under the Securities Act), not misleading; provided that should such event relate solely to the activities of any of the Underwriters, then such Underwriters shall assume the expense of preparing and furnishing any such amendment or supplement. APCo will also fulfill its obligations set out in Section 4(d).

(iv) During the period from the date of this Underwriting Agreement to the date that is five days after the Closing Date, APCo will not, without the prior written consent of the Representatives, offer, sell or contract to sell, or otherwise dispose of, directly or indirectly, or announce the offering of, any asset-backed securities (other than the Bonds).

(v) APCo will cause the proceeds for the issuance and sale of the Bonds to be applied for the purposes described in the Pricing Prospectus.

(vi) As soon as practicable, but not later than 16 months, after the date hereof, the APCo will make generally available (by posting on its website or otherwise) to its security holders, an earnings statement (which need not be audited) that will satisfy the provisions of Section 11(a) of the Securities Act.

(vii) To the extent, if any, that any rating necessary to satisfy the condition set forth in Section 9(w) of this Underwriting Agreement is conditioned upon the furnishing of documents or the taking of other actions by APCo on or after the Closing Date, APCo shall furnish such documents and take such other actions.

(viii) The initial CRR Charge will be calculated in accordance with the Financing Order.

(ix) So long as the Bonds are rated by a Rating Agency, APCo, in its capacity as sponsor with respect to the Bonds, will cause the Issuer to comply with the 17g-5 Representations, other than (x) any noncompliance of the 17g-5 Representations that would not have a material adverse effect on the rating of the Bonds or the Bonds or (y) any noncompliance arising from the breach by an Underwriter of the representations and warranties and covenants set forth in Section 13 hereof.

9. Conditions to the Obligations of the Underwriters. The obligations of the Underwriters to purchase the Bonds shall be subject to the accuracy of the representations and warranties on the part of the Issuer and APCo contained in this Underwriting Agreement, on the part of APCo contained in Article III of the Sale Agreement, and on the part of APCo contained in Section 6.01 of the Servicing Agreement as of the Closing Date, to the accuracy of the statements of the Issuer and APCo made in any certificates pursuant to the provisions hereof, to the performance by the Issuer and APCo of their obligations hereunder, and to the following additional conditions:

(a) The Final Prospectus shall have been filed with the Commission pursuant to Rule 424 no later than the second business day following the date it is first used after effectiveness in connection with the sale of the Bonds. In addition, all material required to be filed by the Issuer or APCo pursuant to Rule 433(d) under the Securities Act that was prepared by either of them or that was prepared by any Underwriter and timely provided to the Issuer or APCo shall have been filed with the Commission within the applicable time period prescribed for such filing by such Rule 433(d).

(b) No stop order suspending the effectiveness of the Registration Statement shall be in effect, and no proceedings for that purpose shall be pending before, or threatened by, the Commission on the Closing Date; and the Underwriters shall have received one or more certificates, dated the Closing Date and signed by an officer of APCo and the Issuer, as appropriate, to the effect that no such stop order is in effect and that no proceedings for such purpose are pending before, or to the knowledge of APCo or the Issuer, as the case may be, threatened by, the Commission.

(c) Hunton & Williams LLP, counsel for the Underwriters, shall have furnished to the Representatives their written opinion, dated the Closing Date, with respect to the issuance and sale of the Bonds, the Indenture, the other Issuer Documents, the Registration Statement and other related matters; and such counsel shall have received such papers and information as they may reasonably request to enable them to pass upon such matters.

(d) Richards, Layton & Finger, P.A., special Delaware counsel for the Issuer, shall have furnished to the Representatives their written opinion (substantially in the form attached as Annex I (d) hereto), dated the Closing Date, regarding the authority to file a voluntary bankruptcy petition.

(e) Richards, Layton & Finger, P.A., special Delaware counsel for the Issuer, shall have furnished to the Representatives their written opinion (substantially in the form attached as Annex I (e) hereto), dated the Closing Date, regarding certain Delaware Uniform Commercial Code matters.

(f) Sidley Austin LLP, counsel for the Issuer and APCo, shall have furnished to the Representatives their written opinion (substantially in the form attached as Annex I (f) hereto), dated the Closing Date, regarding certain aspects of the transactions

contemplated by the Issuer Documents, including the Indenture and the Trustee's security interest under the Uniform Commercial Code.

(g) Sidley Austin LLP, counsel for the Issuer and APCo, shall have furnished to the Representatives their written opinion (substantially in the form attached as Annex I (g) hereto), dated the Closing Date, regarding negative assurances and other corporate matters.

(h) Sidley Austin LLP, counsel for the Issuer and APCo, shall have furnished to the Representatives their written opinion (substantially in the form attached as Annex I (h) hereto), dated the Closing Date, i) to the effect that a court sitting in bankruptcy would not order the substantive consolidation of the assets and liabilities of the Issuer with those of APCo in connection with a bankruptcy, reorganization or other insolvency proceeding involving APCo, ii) that if APCo were to become a debtor in such insolvency proceeding, such court would hold that the CRR Property is not property of the estate of APCo and iii) regarding bankruptcy and corporate governance matters.

(i) Jackson Kelly PLLC, counsel for the Issuer and APCo, shall have furnished to the Representatives their written opinion (substantially in the form attached as Annex I (i) hereto), dated the Closing Date, regarding certain West Virginia constitutional matters relating to the CRR Property.

(j) Sidley Austin LLP, counsel for the Issuer and APCo, shall have furnished to the Representatives their written opinion (substantially in the form attached as Annex I (j) hereto), dated the Closing Date, regarding certain federal tax matters.

(k) Woods Rogers PLC, Virginia Counsel for APCo, shall have furnished to the Representatives their written opinion (substantially in the form attached as Annex I (k) hereto), dated the Closing Date, with respect to additional corporate matters and UCC matters].

(l) Jackson Kelly PLLC, counsel for the Issuer and APCo, shall have furnished to the Representatives their written opinion (substantially in the form attached as Annex I (l) hereto), dated the Closing Date, with respect to the characterization of the transfer of the CRR Property by APCo to the Issuer as a "true sale" for West Virginia law purposes.

(m) Sidley Austin LLP, counsel for the Issuer and APCo, shall have furnished to the Representatives its written respective opinions (substantially in the form attached as Annex I (m) hereto), dated the Closing Date, regarding certain federal constitutional matters relating to the CRR Property.

(n) Dorsey & Whitney LLP, counsel for the Indenture Trustee, shall have furnished to the Representatives their written opinions (each substantially in the form attached as Annex I (n) hereto), dated the Closing Date, regarding certain matters relating to the Indenture Trustee.

(o) Robinson & McElwee, PLLC, counsel for APCo and the Issuer, shall have furnished to the representatives their opinion (substantially in the form attached as Annex I (o) hereto), dated the Closing Date, regarding certain West Virginia regulatory issues.

(p) Jackson Kelly PLLC, counsel for the Issuer and APCo, shall have furnished to the Representatives their written opinion (substantially in the form attached as Annex I (p) hereto), dated the Closing Date, regarding enforceability and certain West Virginia perfection and priority issues.

(q) Sidley Austin LLP, counsel for the Issuer and APCo, shall have furnished to the Representatives their written opinion (substantially in the form attached as Annex I (q) hereto), dated the Closing Date, regarding certain bankruptcy matters relating to the Issuer.

(r) Richards, Layton & Finger, P.A., counsel for the Issuer and APCo, shall have furnished to the Representatives their written opinion (substantially in the form attached as Annex I (r) hereto), dated the Closing Date, regarding certain matters of Delaware law.

(s) Robinson & McElwee, PLLC, counsel to the Issuer and APCo, shall have furnished to the Representatives their written opinion (substantially in the form attached as Annex I (t) hereto), dated the Closing Date, regarding certain West Virginia tax matters.

(t) On or before the date of this Underwriting Agreement and on or before the Closing Date, a nationally recognized accounting firm reasonably acceptable to the Representatives shall have furnished to the Representatives one or more reports regarding certain calculations and computations relating to the Bonds, in form or substance reasonably satisfactory to the Representatives, in each case in respect of which the Representatives shall have made specific requests therefor and shall have provided acknowledgment or similar letters to such firm reasonably necessary in order for such firm to issue such reports.

(u) The LLC Agreement, the Administration Agreement, the Sale Agreement, the Servicing Agreement and the Indenture and any amendment or supplement to any of the foregoing shall have been executed and delivered.

(v) Since the respective dates as of which information is given in each of the Registration Statement and in the Pricing Prospectus and as of the Closing Date there shall have been no (i) material adverse change in the business, property or financial condition of APCo and its subsidiaries, taken as a whole, whether or not in the ordinary course of business, or of the Issuer or (ii) adverse development concerning the business or assets of APCo and its subsidiaries, taken as a whole, or of the Issuer which would be reasonably likely to result in a material adverse change in the prospective business, property or financial condition of APCo and its subsidiaries, taken as a whole, whether or not in the ordinary course of business, or the of Issuer or (iii) development which would

be reasonably likely to result in a material adverse change, in the CRR Property, the Bonds or the Financing Order.

(w) At the Closing Date, (i) the Bonds shall be rated at least the ratings set forth in the Pricing Term Sheet by Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), respectively, and the Issuer shall have delivered to the Underwriters a letter from each such rating agency, or other evidence satisfactory to the Underwriters, confirming that the Bonds have such ratings, and (ii) neither Moody's nor S&P shall have, since the date of this Underwriting Agreement, downgraded or publicly announced that it has under surveillance or review, with possible negative implications, its ratings of the Bonds.

(x) The Issuer and APCo shall have furnished or caused to be furnished to the Representatives at the Closing Date certificates of officers of APCo and the Issuer, reasonably satisfactory to the Representatives, as to the accuracy of the representations and warranties of the Issuer and APCo herein, in the Sale Agreement, Servicing Agreement and the Indenture at and as of the Closing Date, as to the performance by the Issuer and APCo of all of their obligations hereunder to be performed at or prior to such Closing Date, as to the matters set forth in subsections (b) and (y) of this Section and as to such other matters as the Representatives may reasonably request.

(y) The final issuance advice letter, in a form consistent with the provisions of the Financing Order, shall have been filed with the WVPSC and the period during which the WVPSC may issue a disapproval letter shall have expired without the issuance thereof.

(z) On or prior to the Closing Date, the Issuer shall have delivered to the Representatives evidence, in form and substance reasonably satisfactory to the Representatives, that appropriate filings have been or are being made in accordance with the West Virginia Securitization Law (W. Va. Code § 24-2-4f), the Financing Order and other applicable law reflecting the grant of a security interest by the Issuer in the collateral relating to the Bonds to the Indenture Trustee, including the filing of the requisite notices in the office of the Secretary of State of the State of West Virginia, [the Secretary of State of the State of Delaware and the State Corporation Commission of the Commonwealth of Virginia].

(aa) On or prior to the Closing Date, APCo shall have funded the capital subaccount of the Issuer with cash in an amount equal to $[ ].

(bb) The Issuer and APCo shall have furnished or caused to be furnished or agree to furnish to the Rating Agencies at the Closing Date such opinions and certificates as the Rating Agencies shall have reasonably requested prior to the Closing Date. Any opinion letters delivered on the Closing Date to the Rating Agencies beyond those being delivered to the Underwriters above shall either (x) include the Underwriters as

addressees or (y) be accompanied by reliance letters addressed to the Underwriters referencing such letters.

If any of the conditions specified in this Section 9 shall not have been fulfilled when and as provided in this Underwriting Agreement, or if any of the opinions and certificates mentioned above or elsewhere in this Underwriting Agreement shall not be in all material respects reasonably satisfactory in form and substance to the Representatives and Counsel for the Underwriters, all obligations of the Underwriters hereunder may be canceled at, or at any time prior to, the Closing Date by the Representatives. Notice of such cancellation shall be given to the Issuer in writing or by telephone or facsimile confirmed in writing.

10. Conditions of Issuer's Obligations. The obligation of the Issuer to deliver the Bonds shall be subject to the conditions that no stop order suspending the effectiveness of the Registration Statement shall be in effect at the Closing Date and no proceeding for that purpose shall be pending before, or threatened by, the Commission at the Closing Date and the condition set forth in Section 9(y) shall have been satisfied. In case these conditions shall not have been fulfilled, this Underwriting Agreement may be terminated by the Issuer upon notice thereof to the Underwriters. Any such termination shall be without liability of any party to any other party except as otherwise provided in Sections 8(a)(vi) and 11 hereof.

11. Indemnification and Contribution.

(a) APCo and the Issuer, jointly and severally, shall indemnify, defend and hold harmless each Underwriter, each Underwriter's officers and directors and each person who controls any Underwriter within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act from and against any and all losses, claims, damages or liabilities, joint or several, to which they or any of them may become subject under the Securities Act or Exchange Act or any other statute or common law and shall reimburse each such Underwriter and controlling person for any reasonable legal or other expenses (including, to the extent hereinafter provided, reasonable counsel fees) as and when incurred by them in connection with investigating any such losses, claims, damages or liabilities or in connection with defending any actions, insofar as such losses, claims, damages, liabilities, expenses or actions arise out of or are based upon (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) any untrue statement or alleged untrue statement of a material fact contained in the Pricing Prospectus, each Issuer Free Writing Prospectus, the Pricing Package, the Final Prospectus or, in each case, any amendment or supplement thereto, collectively, or any omission or alleged omission to state therein a material fact necessary to make the statements therein, in the light of the circumstances in which they were made, not misleading or (iii) any information prepared by or on behalf of APCo or the Issuer and provided to the Underwriters; provided, however, that the indemnity agreement contained in this Section 11 shall not apply to any such losses, claims, damages, liabilities, expenses or actions arising out of, or based upon, any such untrue statement or alleged untrue statement, or any such omission or alleged omission, in each case if such statement or omission was made in reliance upon and in conformity with any Underwriter Information

(as defined in Section 11(b) hereof), or arising out of, or based upon, statements in or omissions from that part of the Registration Statement that shall constitute the Statement of Eligibility under the Trust Indenture Act of the Indenture Trustee with respect to any indenture qualified pursuant to the Registration Statement; provided, further that the indemnity agreement contained in this Section 11 shall not inure to the benefit of any Underwriter (or of any officer or director of such Underwriter or of any person controlling such Underwriter within the meaning of Section 15 of the Securities Act) on account of any such losses, claims, damages, liabilities, expenses or actions, joint or several, arising from the sale of the Bonds to any person to whom such Underwriter has sold Bonds if a copy of the Pricing Prospectus (including any amendment or supplement thereto if any amendments or supplements thereto shall have been furnished to the Underwriters reasonably prior to the time of the sale involved) (exclusive of the Incorporated Documents) shall, if then available and not yet filed with the Commission pursuant to Rule 424, not have been given or sent to such person by or on behalf of such Underwriter at the time of or prior to the sale of the Bonds to such person unless the alleged omission or alleged untrue statement was not corrected in the Pricing Prospectus (including any amendment or supplement thereto if any amendments or supplements thereto have been furnished to the Underwriters reasonably prior to the time of the sale involved) at the time of such sale. The indemnity agreement of APCo and Issuer contained in this Section 11 and the representations and warranties of the Issuer and APCo contained in Sections 3 and 4 hereof shall remain operative and in full force and effect regardless of any termination of this Underwriting Agreement or of any investigation made by or on behalf of any Underwriter, its officers or its directors or any such controlling person, and shall survive the delivery of the Bonds.

(b) Each Underwriter shall severally and not jointly indemnify, defend and hold harmless APCo and the Issuer, each of APCo's and Issuer's respective officers, directors, and managers, and each person who controls the Issuer or APCo within the meaning of Section 15 of the Securities Act, from and against any and all losses, claims, damages or liabilities, joint or several, to which they or any of them may become subject under the Securities Act or any other statute or common law and shall reimburse each of them for any reasonable legal or other expenses (including, to the extent hereinafter provided, reasonable counsel fees) as and when incurred by them in connection with investigating any such losses, claims, damages or liabilities or in connection with defending any actions, insofar as such losses, claims, damages, liabilities, expenses or actions arise out of or are based upon (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, if such statement or omission was made in reliance upon and in conformity with the Underwriter Information or (ii) any untrue statement or alleged untrue statement of a material fact contained in the Final Prospectus, each Issuer Free Writing Prospectus, the Pricing Package, collectively, or any omission or alleged omission to state therein a material fact necessary to make the statements therein, in the light of the circumstances in which they were made, not misleading; if such statement or omission was made in reliance upon and in conformity with the Underwriter Information. The only such information furnished to APCo by the Underwriters in writing expressly

for use in such foregoing documents is set forth in Schedule IV hereto (the "Underwriter Information"). The indemnity agreement of the respective Underwriters contained in this Section 11 and the representations and warranties of the Underwriters contained in Sections 5 and 13 hereof shall remain operative and in full force and effect regardless of any termination of this Underwriting Agreement or of any investigation made by or on behalf of APCo or the Issuer, their directors, managers or officers, any such Underwriter, or any such controlling person, and shall survive the delivery of the Bonds.

(c) APCo, the Issuer and the several Underwriters each shall, upon the receipt of notice of the commencement of any action against it or any person controlling it as aforesaid, in respect of which indemnity may be sought on account of any indemnity agreement contained herein, promptly give written notice of the commencement thereof to the party or parties against whom indemnity shall be sought under (a) or (b) above, but the failure to notify such indemnifying party or parties of any such action shall not relieve such indemnifying party or parties from any liability hereunder to the extent such indemnifying party or parties is/are not materially prejudiced as a result of such failure to notify and in any event shall not relieve such indemnifying party or parties from any liability which it or they may have to the indemnified party otherwise than on account of such indemnity agreement. In case such notice of any such action shall be so given, such indemnifying party shall be entitled to participate at its own expense in the defense, or, if it so elects, to assume (in conjunction with any other indemnifying parties) the defense of such action, in which event such defense shall be conducted by counsel chosen by such indemnifying party or parties and reasonably satisfactory to the indemnified party or parties who shall be defendant or defendants in such action, and such defendant or defendants shall bear the fees and expenses of any additional counsel retained by them; but if the indemnifying party shall elect not to assume the defense of such action, such indemnifying party will reimburse such indemnified party or parties for the reasonable fees and expenses of any counsel retained by them; provided, however, if the defendants in any such action (including impleaded parties) include both the indemnified party and the indemnifying party and counsel for the indemnifying party shall have reasonably concluded that there may be a conflict of interest involved in the representation by a single counsel of both the indemnifying party and the indemnified party, the indemnified party or parties shall have the right to select separate counsel, satisfactory to the indemnifying party, whose reasonable fees and expenses shall be paid by such indemnifying party, to participate in the defense of such action on behalf of such indemnified party or parties (it being understood, however, that the indemnifying party shall not be liable for the fees and expenses of more than one separate counsel (in addition to local counsel) representing the indemnified parties who are parties to such action). Each of APCo, Issuer and the several Underwriters agrees that without the other party's prior written consent, which consent shall not be unreasonably withheld, it will not settle, compromise or consent to the entry of any judgment in any claim in respect of which indemnification may be sought under the indemnification provisions of this Underwriting Agreement, unless such settlement, compromise or consent (i) includes an unconditional release of such other party from all liability arising out of such claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of such other party.

(d) If the indemnification provided for in subparagraph (a) or (b) above shall be unavailable to or insufficient to hold harmless an indemnified party, each indemnifying party agrees to contribute to such indemnified party with respect to any and all losses, claims, damages, liabilities and expenses for which each such indemnification provided for in subparagraph (a) or (b) above shall be unavailable or insufficient, in such proportion as shall be appropriate to reflect (i) the relative benefits received by APCo and the Issuer on the one hand and the Underwriters on the other hand from the offering of the Bonds pursuant to this Underwriting Agreement or (ii) if an allocation solely on the basis provided by clause (i) is not permitted by applicable law or is inequitable or against public policy, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of each indemnifying party on the one hand and the indemnified party on the other in connection with the statements or omissions which have resulted in such losses, claims, damages, liabilities and expenses and (iii) any other relevant equitable considerations; provided, however, that no indemnified party guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any indemnifying party not guilty of such fraudulent misrepresentation. Relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by such indemnifying party or the indemnified party and each such party's relative intent, knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. APCo, the Issuer and each of the Underwriters agree that it would not be just and equitable if contributions pursuant to this subparagraph (d) were to be determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to above. Notwithstanding the provisions of this Section 11, no Underwriter shall be required to contribute in excess of the amount equal to the excess of (i) the total underwriting discount and commissions received by it, over (ii) the amount of any damages which such Underwriter has otherwise been required to pay by reason of any such untrue or alleged untrue statement or omission or alleged omission. The obligations of each Underwriter to contribute pursuant to this Section 11 are several and not joint and shall be in the same proportion as such Underwriter's obligation to underwrite Bonds is to the total number of Bonds set forth in Schedule II hereto.

12. Termination. This Underwriting Agreement may be terminated, at any time prior to the Closing Date with respect to the Bonds by the Representatives by written notice to the Issuer if after the date hereof and at or prior to the Closing Date (a) there shall have occurred any general suspension of trading in securities on the New York Stock Exchange ("NYSE") or there shall have been established by the NYSE, or by the Commission any general limitation on prices for such trading or any general restrictions on the distribution of securities, or a general banking moratorium declared by New York or federal authorities or (b) there shall have occurred any (i) material outbreak of hostilities (including, without limitation, an act of terrorism) or (ii) declaration by the United States of war or national or international calamity or crisis, including, but not limited to, a material escalation of hostilities that existed prior to the date of this Underwriting Agreement or (iii) material adverse change in the financial markets in the United States, and the effect of any such event specified in clause (a) or (b) above on the

financial markets of the United States shall be such as to materially and adversely affect, in the reasonable judgment of the Representatives, their ability to proceed with the public offering or the delivery of the Bonds on the terms and in the manner contemplated by the Final Prospectus. Any termination hereof pursuant to this Section 12 shall be without liability of any party to any other party except as otherwise provided in Sections 8(a)(vi) and 11 hereof.

13. Representations, Warranties and Covenants of the Underwriters. The Underwriters, severally and not jointly, represent, warrant and agree with the Issuer and APCo that, unless the Underwriters obtained, or will obtain, the prior written consent of the Issuer or APCo, the Representatives (x) have not delivered, and will not deliver, any Rating Information (as defined below) to any Rating Agency until and unless the Issuer or APCo advises the Underwriters that such Rating Information is posted to the Issuer's website maintained by the Issuer pursuant to paragraph (a)(3)(iii)(B) of Rule 17g-5 under the Exchange Act in the same form as it will be provided to such Rating Agency, and (y) have not participated, and will not participate, with any Rating Agency in any oral communication of any Rating Information without the participation of a representative of the Issuer or APCo. For purposes of this Section 13, "Rating Information" means any information provided to a Rating Agency for the purpose of determining an initial credit rating on the Bonds.

14. Absence of Fiduciary Relationship. Each of the Issuer and APCo acknowledges and agrees that the Underwriters are acting solely in the capacity of an arm's length contractual counterparty to the Issuer and APCo with respect to the offering of the Bonds contemplated hereby (including in connection with determining the terms of the offering) and not as a financial advisor or a fiduciary to, or an agent of, the Issuer or APCo. Additionally, none of the Underwriters is advising the Issuer or APCo as to any legal, tax, investment, accounting or regulatory matters in any jurisdiction. The Issuer and APCo shall consult with their own advisors concerning such matters and shall be responsible for making their own independent investigation and appraisal of the transactions contemplated hereby, and the Underwriters shall have no responsibility or liability to the Issuer or APCo with respect thereto. Any review by the Underwriters of the Issuer or APCo, the transactions contemplated hereby or other matters relating to such transactions will be performed solely for the benefit of the Underwriters and shall not be on behalf of the Issuer or APCo.

15. Notices. All communications hereunder will be in writing and may be given by United States mail, courier service, telecopy, telefax or facsimile (confirmed by telephone or in writing in the case of notice by telecopy, telefax or facsimile) or any other customary means of communication, and any such communication shall be effective when delivered, or if mailed, three days after deposit in the United States mail with proper postage for ordinary mail prepaid, and if sent to the Representatives, to it at the address specified in Schedule I hereto; and if sent to the Issuer, to it at 707 Virginia East, Suite 1000, Charleston, West Virginia, 25327, Attention: Manager; and if sent to APCo, to it at 1 Riverside Plaza, Columbus, Ohio 43215, Attention: Treasurer. The parties hereto, by notice to the others, may designate additional or different addresses for subsequent communications.

16. Successors. This Underwriting Agreement will inure to the benefit of and be binding upon the parties hereto and their respective successors and the officers and directors

and controlling persons referred to in Section 11 hereof, and no other person will have any right or obligation hereunder.

17. Applicable Law. This Underwriting Agreement will be governed by and construed in accordance with the laws of the State of New York.

18. Counterparts. This Underwriting Agreement may be signed in any number of counterparts, each of which shall be deemed an original, which taken together shall constitute one and the same instrument.

19. Integration. This Agreement supersedes all prior agreements and understandings (whether written or oral) among the Issuer, APCo and the Underwriters, or any of them, with respect to the subject matter hereof.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to us the enclosed duplicate hereof, whereupon this letter and your acceptance shall represent a binding agreement among APCo, the Issuer and the several Underwriters.

Very truly yours,

APPALACHIAN POWER COMPANY

By: _____

Name:
Title:

APPALACHIAN CONSUMER RATE RELIEF FUNDING LLC

By: _____

Name:
Title:

The foregoing Underwriting Agreement is hereby confirmed and accepted by the Representatives on behalf of the Underwriters as of the date specified in Schedule I hereto.

MORGAN STANLEY & CO. LLC

By: _____

Name:
Title:

RBS SECURITIES INC.

By: _____

Name:
Title:

SCHEDULE I

Underwriting Agreement dated November [ ], 2013

Registration Statement Nos. 333-191392 and 333-191392-01

Representatives: Morgan Stanley & Co. LLC and RBS Securities Inc.

c/o Morgan Stanley & Co. LLC

Address: 1585 Broadway
New York, New York 10036

Attention: [Patrick Collins]

Title, Purchase Price and Description of Bonds:

Title: Appalachian Consumer Rate Relief Funding LLC Senior Secured Consumer Rate Relief Bonds

	Total Principal Amount of Tranche	Bond Rate	Price to Public	Underwriting Discounts and Commissions	Proceeds to Issuer
Per Tranche A-1 Bond		$ %	%	%	$
Per Tranche A-2 Bond		$ %	%	%	$
Per Tranche A-3 Bond		$ %	%	%	$
Total		$			$

Original Issue Discount (if any): $[ ]

Redemption provisions: None

Other provisions: None

Closing Date, Time and Location: [ ], 2013, 10:00 a.m.; offices of Sidley Austin LLP; One South Dearborn Street, Chicago, Illinois 60603 and simultaneously in the offices of Hunton & Williams LLP, 200 Park Avenue, New York, New York 10166

SCHEDULE II

Principal Amount of Bonds to be Purchased

Underwriter	Tranche A-1	Tranche A-2	Tranche A-3	Total
Morgan Stanley & Co. LLC	$	$	$	$
RBS Securities Inc.				
Merrill Lynch, Pierce, Fenner & Smith Incorporated				
PNC Capital Markets LLC				
Wells Fargo Securities, LLC				
Total	$	$	$	$

SCHEDULE III

Schedule of Issuer Free Writing Prospectuses

A. Free Writing Prospectuses not required to be filed

Electronic Road Show

B. Free Writing Prospectuses required to be filed pursuant to Rule 433

Preliminary Term Sheet

Pricing Term Sheet, dated [ ], 2013

SCHEDULE IV

Descriptive List of Underwriter Provided Information

[Subject to confirmation based on final form]

A. Pricing Prospectus

(a) under the heading "UNDERWRITING THE BONDS" in the Preliminary Prospectus Supplement: (i) the third sentence under the caption "No Assurance as to Resale Price or Resale Liquidity for the Bonds"; (ii) the entire first full paragraph under the caption "Various Types of Underwriter Transactions Which May Affect the Price of the Bonds" (except the last sentence thereof); and (iii) the second sentence of the second full paragraph and the last sentence of the fourth full paragraph under the caption "Various Types of Underwriter Transactions Which May Affect the Price of the Bonds"; and (b) under the heading "OTHER RISKS ASSOCIATED WITH AN INVESTMENT IN THE CONSUMER RATE RELIEF BONDS" in the Prospectus, the first sentence under the caption "The Absence of a Secondary Market for a Series of Consumer Rate Relief Bonds Might Limit Your Ability to Resell Your Consumer Rate Relief Bonds of Such Series."

B. Final Prospectus

(a) the first sentence and the fourth sentence of the last full paragraph on the cover page of the Prospectus Supplement; (b) under the heading "UNDERWRITING THE BONDS" in the Prospectus Supplement: (i) the entire two paragraphs under the caption "The Underwriters' Sales Price for the Bonds"; (ii) the third sentence under the caption "No Assurance as to Resale Price or Resale Liquidity for the Bonds"; (iii) the entire first full paragraph under the caption "Various Types of Underwriter Transactions Which May Affect the Price of the Bonds" (except the last sentence thereof); and (iv) the second sentence of the second full paragraph and the last sentence of the fourth full paragraph under the caption "Various Types of Underwriter Transactions Which May Affect the Price of the Bonds"; and (c) under the heading "OTHER RISKS ASSOCIATED WITH AN INVESTMENT IN THE CONSUMER RATE RELIEF BONDS" in the Prospectus, the first sentence under the caption "The Absence of a Secondary Market for a Series of Consumer Rate Relief Bonds Might Limit Your Ability to Resell Your Consumer Rate Relief Bonds of Such Series."

Annex I (s) 1

SABER PARTNERS, LLC

Investor-Owned Utility Securitization Transactions 2007-2015	Underwriters	Language from Underwriting Agreement On File with SEC Explicitly Stating that the Underwriters Have No Fiduciary Duty to the Issuer and Therefore to Ratepayers in a Utility Securitization SOURCE: SEC Filings
Entergy New Orleans Storm Recovery Funding I (7/14/15)	Citigroup	"Absence of Fiduciary Relationship. Each of the Issuer and ENO acknowledges and agrees that the Issuer and ENO, respectively, each have arm's length business relationships with the Underwriters and their affiliates, that create no fiduciary duty on the part of the Underwriters and their affiliates, in connection with all aspects of the transactions contemplated by this Underwriting Agreement, and each such party expressly disclaims any fiduciary relationship. Nothing in this Section is intended to modify in any way the Underwriters' obligations expressly set forth in the Underwriting Agreement. Notwithstanding any other provision of this Underwriting Agreement, immediately upon commencement of discussions with respect to the transactions contemplated hereby, the Issuer and ENO (and each employee, representative or other agent of the Issuer or ENO, as the case may be) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transactions contemplated by this Agreement and all materials of any kind (including opinions or other tax analyses) that are provided to the Issuer or ENO relating to such tax treatment and tax structure. For purposes of the foregoing, the term "tax treatment" is the purported or claimed federal, state or local income tax treatment of the sale of the Storm Recovery Property, the collection of the Storm Recovery Charges or the payment on the Bonds, and the term "tax structure" includes any fact that may be relevant to understanding the purported or claimed federal, state or local income tax treatment of the transactions contemplated hereby."

Consumers 2014 Securitization Funding LLC (7/14/2014)	Citigroup/ Goldman Sachs/ PNC Capital Markets LLC	"Absence of Fiduciary Relationship. Each of the Issuer and Consumers acknowledges and agrees that the Underwriters are acting solely in the capacity of an arm's length contractual counterparty to the Issuer and Consumers with respect to the offering of the Bonds contemplated hereby (including in connection with determining the terms of the offering) and not as a financial advisor or a fiduciary to, or an agent of, the Issuer or Consumers. Additionally, none of the Underwriters is advising the Issuer or Consumers as to any legal, tax, investment, accounting or regulatory matters in any jurisdiction. The Issuer and Consumers shall consult with their own advisors concerning such matters and shall be responsible for making their own independent investigation and appraisal of the transactions contemplated hereby, and the Underwriters shall have no responsibility or liability to the Issuer or Consumers with respect thereto. Any review by the Underwriters of the Issuer or Consumers, the transactions contemplated hereby or other matters relating to such transactions will be performed solely for the benefit of the Underwriters and shall not be on behalf of the Issuer or Consumers."
Appalachian Consumer Rate Relief Funding LLC (11/6/2013)	Royal Bank of Scotland/ Morgan Stanley/ PNC Capital Markets LLC/ Wells Fargo Securities, LLC/ Bank of America Merrill Lynch	"Absence of Fiduciary Relationship. Each of the Issuer and APCo acknowledges and agrees that the Underwriters are acting solely in the capacity of an arm's length contractual counterparty to the Issuer and APCo with respect to the offering of the Bonds contemplated hereby (including in connection with determining the terms of the offering) and not as a financial advisor or a fiduciary to, or an agent of, the Issuer or APCo. Additionally, none of the Underwriters is advising the Issuer or APCo as to any legal, tax, investment, accounting or regulatory matters in any jurisdiction. The Issuer and APCo shall consult with their own advisors concerning such matters and shall be responsible for making their own independent investigation and appraisal of the transactions contemplated hereby, and the Underwriters shall have no responsibility or liability to the Issuer or APCo with respect thereto. Any review by the Underwriters of the Issuer or APCo, the transactions contemplated hereby or other matters relating to such transactions will be performed solely for the benefit of the Underwriters and shall not be on behalf of the Issuer or APCo."

SABER PARTNERS, LLC

Ohio Phase-In-Recovery Funding LLC (7/23/2013)	Citigroup/ Royal Bank of Canada/ PNC Capital Markets LLC/ Royal Bank of Scotland Securities Inc./ Wells Fargo Securities, LLC	"Absence of Fiduciary Relationship. Each of the Issuer and OPCo acknowledges and agrees that the Underwriters are acting solely in the capacity of an arm's length contractual counterparty to the Issuer and OPCo with respect to the offering of the Bonds contemplated hereby (including in connection with determining the terms of the offering) and not as a financial advisor or a fiduciary to, or an agent of, the Issuer or OPCo. Additionally, none of the Underwriters is advising the Issuer or OPCo as to any legal, tax, investment, accounting or regulatory matters in any jurisdiction. The Issuer and OPCo shall consult with their own advisors concerning such matters and shall be responsible for making their own independent investigation and appraisal of the transactions contemplated hereby, and the Underwriters shall have no responsibility or liability to the Issuer or OPCo with respect thereto. Any review by the Underwriters of the Issuer or OPCo, the transactions contemplated hereby or other matters relating to such transactions will be performed solely for the benefit of the Underwriters and shall not be on behalf of the Issuer or OPCo."

SABER PARTNERS, LLC

FirstEnergy Ohio PIRB Special Purpose Trust (6/12/2013)	Citigroup/ CAS/ Goldman Sachs/ Barclays Capital Inc./ Royal Bank of Scotland Securities Inc./ Bank of America Merrill Lynch	"Absence of Fiduciary Relationship. The Bond Issuers and the Sponsors acknowledge and agree that: (a) the Representatives have been retained solely to act as underwriters in connection with the sale of Certificates and that no fiduciary, advisory or agency relationship between the Issuing Entity, the Bond Issuers, the Sponsors and the Representatives have been created in respect of any of the transactions contemplated by this Underwriting Agreement, irrespective of whether the Representatives have advised or are advising the Sponsors on other matters; (b) the price of the Certificates set forth in the final term sheet attached as Annex A to Schedule II hereto was established by the Bond Issuers and the Sponsors following discussions and arms-length negotiations with the Representatives and the Bond Issuers and the Sponsors are capable of evaluating and understanding and understand and accept the terms, risks and conditions of the transactions contemplated by this Underwriting Agreement; (c) the Bond Issuers and the Sponsors have been advised that the Representatives and their affiliates are engaged in a broad range of transactions which may involve interests that differ from those of the Bond Issuers and the Sponsors and that the Representatives have no obligation to disclose such interests and transactions to the Bond Issuers or the Sponsors by virtue of any fiduciary, advisory or agency relationship; and (d) the Issuing Entity, the Bond Issuers and the Sponsors waive, to the fullest extent permitted by law, any claims it may have against the Representatives for breach of fiduciary duty or alleged breach of fiduciary duty and agrees that the Representatives shall have no liability (whether direct or indirect) to the Issuing Entity, the Bond Issuers or the Sponsors in respect of such a fiduciary duty claim or to any person asserting a fiduciary duty claim on behalf of or in right of the Issuing Entity, the Bond Issuers and the Sponsors including stockholders, employees or creditors of the Issuing Entity, the Bond Issuers and the Sponsors."

SABER PARTNERS, LLC

AEP Texas Central Transition Funding III (3/7/2012)	Morgan Stanley/ Barclays/ Citigroup/ Goldman Sachs/ Samuel A. Ramirez & Company, Inc./ Royal Bank of Scotland Securities Inc./ Wells Fargo Securities, LLC	"Absence of Fiduciary Relationship. Each of the Issuer and TCC acknowledges and agrees that the Underwriters are acting solely in the capacity of an arm's length contractual counterparty to the Issuer and TCC with respect to the offering of the Bonds contemplated hereby (including in connection with determining the terms of the offering) and not as a financial advisor or a fiduciary to, or an agent of, the Issuer or TCC. Additionally, none of the Underwriters is advising the Issuer or TCC as to any legal, tax, investment, accounting or regulatory matters in any jurisdiction. The Issuer and TCC shall consult with their own advisors concerning such matters and shall be responsible for making their own independent investigation and appraisal of the transactions contemplated hereby, and the Underwriters shall have no responsibility or liability to the Issuer or TCC with respect thereto. Any review by the Underwriters of the Issuer or TCC, the transactions contemplated hereby or other matters relating to such transactions will be performed solely for the benefit of the Underwriters and shall not be on behalf of the Issuer or TCC."

SABER PARTNERS, LLC

CenterPoint Energy Transition Bond Co. IV (1/11/2012)	Goldman Sachs/ Citigroup/Morgan Stanley/ Bank of America Merrill Lynch/ Barclays Capital/ J.P. Morgan/ Loop Capital Markets/ Royal Bank of Scotland	"Absence of Fiduciary Relationship. Each of the Issuer and the Company acknowledges and agrees that: (a) the Underwriters have been retained solely to act as underwriters in connection with the sale of the Bonds and that no fiduciary, advisory or agency relationship between the Underwriters, on one hand, and the Company and/or the Issuer, on the other hand, has been created in respect of any of the transactions contemplated by this Underwriting Agreement irrespective of whether one or more of the Underwriters have advised or are advising the Company and/or the Issuer on other matters; (b) the price of the Bonds was established by the Issuer and the Company following discussions and arms-length negotiations with the Underwriters, among others and the Issuer and the Company have each consulted their own legal and financial advisors to the extent it deemed appropriate; (c) it has been advised that the Underwriters and their affiliates are engaged in a broad range of transactions which may involve interests that differ from those of the Issuer and Company and that the Underwriters have no obligation to disclose such interests and transactions to the Issuer or the Company by virtue of any fiduciary, advisory or agency relationship; and (d) it waives, to the fullest extent permitted by law, any claims it may have against the Underwriters for breach of fiduciary duty or alleged breach of fiduciary duty and agrees that the Underwriters shall have no liability (whether direct or indirect) to the Issuer or the Company in respect of such fiduciary duty claim or to any person asserting a fiduciary duty claim on behalf of or in right of the Issuer or the Company including stockholders, employees or creditors of the Issuer and/or the Company."

SABER PARTNERS, LLC

Entergy Louisiana Investment Recovery Funding I, LLC (9/15/2011)	Morgan Stanley/ Citigroup/ Morgan Keegan & Company, Inc./ Stephens Inc.	"Absence of Fiduciary Relationship. Each of the Issuer and ELL acknowledges and agrees that the Issuer and ELL, respectively, each have arm's length business relationships with the Underwriters and their affiliates, that create no fiduciary duty on the part of the Underwriters and their affiliates, in connection with all aspects of the transactions contemplated by this Underwriting Agreement, and each such party expressly disclaims any fiduciary relationship. Nothing in this Section is intended to modify in any way the Underwriters' obligations expressly set forth in the Underwriting Agreement. Notwithstanding any other provision of this Underwriting Agreement, immediately upon commencement of discussions with respect to the transactions contemplated hereby, the Issuer and ELL (and each employee, representative or other agent of the Issuer or ELL, as the case may be) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transactions contemplated by this Agreement and all materials of any kind (including opinions or other tax analyses) that are provided to the Issuer or ELL relating to such tax treatment and tax structure. For purposes of the foregoing, the term "tax treatment" is the purported or claimed federal, state or local income tax treatment of the sale of the Investment Recovery Property, the collection of the Investment Recovery Charges or the payment on the Bonds, and the term "tax structure" includes any fact that may be relevant to understanding the purported or claimed federal, state or local income tax treatment of the transactions contemplated hereby."

SABER PARTNERS, LLC

Entergy Arkansas Restoration Funding LLC (8/11/2010)	Morgan Stanley	"Absence of Fiduciary Relationship. Each of the Issuer and EAI acknowledges and agrees that the Issuer and EAI, respectively, each have arm's length business relationships with Morgan Stanley & Co. Incorporated and Stephens Inc., and their respective affiliates, that create no fiduciary duty on the part of Morgan Stanley & Co. Incorporated and Stephens Inc., and their respective affiliates, in connection with all aspects of the transactions contemplated by this Underwriting Agreement, and each such party expressly disclaims any fiduciary relationship. Nothing in this Section is intended to modify in any way the Underwriters' obligations expressly set forth in the Underwriting Agreement. Notwithstanding any other provision of this Underwriting Agreement, immediately upon commencement of discussions with respect to the transactions contemplated hereby, the Issuer and EAI (and each employee, representative or other agent of the Issuer or EAI, as the case may be) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transactions contemplated by this Agreement and all materials of any kind (including opinions or other tax analyses) that are provided to the Issuer or EAI relating to such tax treatment and tax structure. For purposes of the foregoing, the term "tax treatment" is the purported or claimed federal, state or local income tax treatment of the sale of the storm recovery property, the collection of the storm recovery charges or the payment on the Bonds, and the term "tax structure" includes any fact that may be relevant to understanding the purported or claimed federal, state or local income tax treatment of the transactions contemplated hereby."
MP Environmental Funding LLC	Jefferies/ Williams	"Absence of Fiduciary Relationship. The Issuer and Mon Power each acknowledge and agree that the Underwriters are acting solely in the capacity of an arm's length contractual counterparty to the Issuer and Mon Power with respect to the offering of the Bonds contemplated hereby (including in

(12/16/2009)		connection with determining the terms of the offering) and not as a financial advisor or a fiduciary to, or an agent of, the Issuer or Mon Power. Additionally, none of the Underwriters is advising the Issuer or Mon Power as to any legal, tax, investment, accounting or regulatory matters in any jurisdiction. The Issuer and Mon Power shall consult with their own advisors concerning such matters and shall be responsible for making their own independent investigation and appraisal of the transactions contemplated hereby, and the Underwriters shall have no responsibility or liability to the Issuer or Mon Power with respect thereto. Any review by the Underwriters of the Issuer or Mon Power, the transactions contemplated hereby or other matters relating to such transactions will be performed solely for the benefit of the Underwriters and shall not be on behalf of the Issuer or Mon Power."
PE Environmental Funding LLC (12/16/2009)	Jefferies/ Williams	"Absence of Fiduciary Relationship. The Issuer and Potomac Edison each acknowledge and agree that the Underwriters are acting solely in the capacity of an arm's length contractual counterparty to the Issuer and Potomac Edison with respect to the offering of the Bonds contemplated hereby (including in connection with determining the terms of the offering) and not as a financial advisor or a fiduciary to, or an agent of, the Issuer or Potomac Edison. Additionally, none of the Underwriters is advising the Issuer or Potomac Edison as to any legal, tax, investment, accounting or regulatory matters in any jurisdiction. The Issuer and Potomac Edison shall consult with their own advisors concerning such matters and shall be responsible for making their own independent investigation and appraisal of the transactions contemplated hereby, and the Underwriters shall have no responsibility or liability to the Issuer or Potomac Edison with respect thereto. Any review by the Underwriters of the Issuer or Potomac Edison, the transactions contemplated hereby or other matters relating to such transactions will be performed solely for the benefit of the Underwriters and shall not be on behalf of the Issuer or Potomac Edison."

SABER PARTNERS, LLC

CenterPoint Energy Restoration Bond (11/18/2009)	Goldman Sachs/ Citigroup	"Absence of Fiduciary Relationship. Each of the Issuer and the Company acknowledges and agrees that: (a) the Underwriters have been retained solely to act as underwriters in connection with the sale of the Bonds and that no fiduciary, advisory or agency relationship between the Underwriters, on one hand, and the Company and/or the Issuer, on the other hand, has been created in respect of any of the transactions contemplated by this Underwriting Agreement irrespective of whether one or more of the Underwriters have advised or are advising the Company and/or the Issuer on other matters; (b) the price of the Bonds was established by the Issuer and the Company following discussions and arms-length negotiations with the Underwriters, among others and the Issuer and the Company have each consulted their own legal and financial advisors to the extent it deemed appropriate; (c) it has been advised that the Underwriters and their affiliates are engaged in a broad range of transactions which may involve interests that differ from those of the Issuer and Company and that the Underwriters have no obligation to disclose such interests and transactions to the Issuer or the Company by virtue of any fiduciary, advisory or agency relationship; and (d) it waives, to the fullest extent permitted by law, any claims it may have against the Underwriters for breach of fiduciary duty or alleged breach of fiduciary duty and agrees that the Underwriters shall have no liability (whether direct or indirect) to the Issuer or the Company in respect of such fiduciary duty claim or to any person asserting a fiduciary duty claim on behalf of or in right of the Issuer or the Company including stockholders, employees or creditors of the Issuer and/or the Company."

SABER PARTNERS, LLC

Entergy Texas Restoration Funding (10/29/09)	Morgan Stanley/ Citigroup	"Absence of Fiduciary Relationship. Each of the Issuer and ETI acknowledges and agrees that the Issuer and ETI, respectively, each have arm's length business relationships with Morgan Stanley & Co. Incorporated, Citigroupgroup Global Markets Inc., Goldman, Sachs & Co., Royal Bank of Scotland Securities Inc. and Loop Capital Markets, LLC, and their respective affiliates, that create no fiduciary duty on the part of Morgan Stanley & Co. Incorporated, Citigroupgroup Global Markets Inc., Goldman, Sachs & Co., Royal Bank of Scotland Securities Inc. and Loop Capital Markets, LLC, and their respective affiliates, in connection with all aspects of the transactions contemplated by this Underwriting Agreement, and each such party expressly disclaims any fiduciary relationship. Nothing in this Section is intended to modify in any way the Underwriters' obligations expressly set forth in the Underwriting Agreement. Notwithstanding any other provision of this Underwriting Agreement, immediately upon commencement of discussions with respect to the transactions contemplated hereby, the Issuer and ETI (and each employee, representative or other agent of the Issuer or ETI , as the case may be) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transactions contemplated by this Agreement and all materials of any kind (including opinions or other tax analyses) that are provided to the Issuer or ETI relating to such tax treatment and tax structure. For purposes of the foregoing, the term "tax treatment" is the purported or claimed federal, state or local income tax treatment of the sale of the transition property, the collection of the transition charges or the payment on the Bonds, and the term "tax structure" includes any fact that may be relevant to understanding the purported or claimed federal, state or local income tax treatment of the transactions contemplated hereby"

SABER PARTNERS, LLC

Cleco Katrina/Rita Hurricane Recovery Funding LLC 2008 (2/28/2008)	Credit Suisse First Boston	"Absence of Fiduciary Relationship. Each of the Issuer and CPL acknowledges and agrees that the Issuer and CPL, respectively, each have arm's length business relationships with Credit Suisse Securities (USA) LLC, Wachovia Capital Markets, LLC and DEPFA First Albany Securities LLC, and their respective affiliates that create no fiduciary duty on the part of Credit Suisse Securities (USA) LLC, Wachovia Capital Markets, LLC and DEPFA First Albany Securities LLC, and their respective affiliates in connection with all aspects of the transactions contemplated by this Underwriting Agreement, and each such party expressly disclaims any fiduciary relationship. Nothing in this Section is intended to modify in any way the Underwriters' obligations expressly set forth in the Underwriting Agreement. Notwithstanding any other provision of this Underwriting Agreement, immediately upon commencement of discussions with respect to the transactions contemplated hereby, the Issuer and CPL (and each employee, representative or other agent of the Issuer or CPL, as the case may be) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transactions contemplated by this Agreement and all materials of any kind (including opinions or other tax analyses) that are provided to the Issuer or CPL relating to such tax treatment and tax structure. For purposes of the foregoing, the term "tax treatment" is the purported or claimed federal, state or local income tax treatment of the sale of the storm recovery property, the collection of the storm recovery charges or the payment on the Bonds, and the term "tax structure" includes any fact that may be relevant to understanding the purported or claimed federal, state or local income tax treatment of the transactions contemplated hereby."

SABER PARTNERS, LLC

CenterPoint Energy Transition Bond Company III (1/29/2008)	Citigroup	"Absence of Fiduciary Relationship. Each of the Issuer and the Company acknowledges and agrees that: (a) the Underwriters have been retained solely to act as underwriters in connection with the sale of the Bonds and that no fiduciary, advisory or agency relationship between the Underwriters, on one hand, and the Company and/or the Issuer, on the other hand, has been created in respect of any of the transactions contemplated by this Underwriting Agreement, irrespective of whether the Underwriters have advised or are advising the Company and/or the Issuer on other matters; (b) the price of the Bonds was established by the Issuer and the Company following discussions and arms-length negotiations with the Underwriters, among others; (c) it has been advised that the Underwriters and their affiliates are engaged in a broad range of transactions which may involve interests that differ from those of the Issuer and Company and that the Underwriters have no obligation to disclose such interests and transactions to the Issuer or the Company by virtue of any fiduciary, advisory or agency relationship; and (d) it waives, to the fullest extent permitted by law, any claims it may have against the Underwriters for breach of fiduciary duty or alleged breach of fiduciary duty and agrees that the Underwriters shall have no liability (whether direct or indirect) to the Issuer or the Company in respect of such fiduciary duty claim or to any person asserting a fiduciary duty claim on behalf of or in right of the Issuer or the Company including stockholders, employees or creditors of the Issuer and/or the Company."

SABER PARTNERS, LLC

Entergy Gulf States Reconstruction Funding I, LLC (6/22/2007)	Citigroup	"Absence of Fiduciary Relationship. Each of the Issuer and EGSI acknowledges and agrees that the Issuer and EGSI, respectively, each have arm's length business relationships with Morgan Stanley & Co. Incorporated, First Albany Capital Inc., Loop Capital Markets, LLC and M.R. Beal & Company, and their respective affiliates that create no fiduciary duty on the part of Morgan Stanley & Co. Incorporated, First Albany Capital Inc., Loop Capital Markets, LLC and M.R. Beal & Company, and their respective affiliates in connection with all aspects of the transactions contemplated by this Underwriting Agreement, and each such party expressly disclaims any fiduciary relationship. Nothing in this Section is intended to modify in any way the Underwriters' obligations expressly set forth in the Underwriting Agreement. Notwithstanding any other provision of this Underwriting Agreement, immediately upon commencement of discussions with respect to the transactions contemplated hereby, the Issuer and EGSI (and each employee, representative or other agent of the Issuer or EGSI , as the case may be) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transactions contemplated by this Agreement and all materials of any kind (including opinions or other tax analyses) that are provided to the Issuer or EGSI relating to such tax treatment and tax structure. For purposes of the foregoing, the term "tax treatment" is the purported or claimed federal, state or local income tax treatment of the sale of the transition property, the collection of the transition charges or the payment on the Bonds, and the term "tax structure" includes any fact that may be relevant to understanding the purported or claimed federal, state or local income tax treatment of the transactions contemplated hereby."

SABER PARTNERS, LLC

RSB BondCo LLC (BG&E sponsor) (6/22/2007)	Barclays /Citigroup/ Royal Bank of Scotland/ Morgan Stanley	"Absence of Fiduciary Relationship. Each of the Issuer and BGE acknowledges and agrees that the Underwriters are acting solely in the capacity of an arm's length contractual counterparty to the Issuer and BGE with respect to the offering of the Bonds contemplated hereby (including in connection with determining the terms of the offering) and not as a financial advisor or a fiduciary to, or an agent of, the Issuer or BGE. Additionally, none of the Underwriters is advising the Issuer or BGE as to any legal, tax, investment, accounting or regulatory matters in any jurisdiction. The Issuer and BGE shall consult with their own advisors concerning such matters and shall be responsible for making their own independent investigation and appraisal of the transactions contemplated hereby, and the Underwriters shall have no responsibility or liability to the Issuer or BGE with respect thereto. Any review by the Underwriters of the Issuer or BGE, the transactions contemplated hereby or other matters relating to such transactions will be performed solely for the benefit of the Underwriters and shall not be on behalf of the Issuer or BGE.
FPL Recovery Funding LLC (5/15/07)	Wachovia	"Absence of Fiduciary Relationship. The Issuer and FPL each acknowledge and agree that the Purchasers are acting solely in the capacity of an arm's length contractual counterparty to the Issuer and FPL with respect to the offering of the Bonds contemplated hereby (including in connection with determining the terms of the offering) and not as a financial advisor or a fiduciary to, or an agent of, the Issuer or FPL in connection with the offering of the Bonds as contemplated hereby. Additionally, none of the Purchasers is advising the Issuer or FPL as to any legal, tax, investment, accounting or regulatory matters in any jurisdiction. Any review by the Purchasers of the Issuer or FPL, the transactions contemplated hereby or other matters relating to such transactions will be performed solely for the benefit of the Purchasers and shall not be on behalf of the Issuer or FPL."

SABER PARTNERS, LLC

MP Environmental Funding LLC (4/3/2007)	First Albany Corp/ Loop Capital Markets/ Bear Stearns	"Absence of Fiduciary Relationship. The Issuer, MP Renaissance and Mon Power each acknowledge and agree that the Underwriters are acting solely in the capacity of an arm's length contractual counterparty to the Issuer, MP Renaissance and Mon Power with respect to the offering of the Bonds contemplated hereby (including in connection with determining the terms of the offering) and not as a financial advisor or a fiduciary to, or an agent of, the Issuer, MP Renaissance or Mon Power. Additionally, none of the Underwriters is advising the Issuer, MP Renaissance or Mon Power as to any legal, tax, investment, accounting or regulatory matters in any jurisdiction. The Issuer, MP Renaissance and Mon Power shall consult with their own advisors concerning such matters and shall be responsible for making their own independent investigation and appraisal of the transactions contemplated hereby, and the Underwriters shall have no responsibility or liability to the Issuer, MP Renaissance or Mon Power with respect thereto. Any review by the Underwriters of the Issuer, MP Renaissance or Mon Power, the transactions contemplated hereby or other matters relating to such transactions will be performed solely for the benefit of the Underwriters and shall not be on behalf of the Issuer or Mon Power."

SABER PARTNERS, LLC

PE Environmental Funding, LLC (4/3/2007)	First Albany Corp/ Loop Capital Markets/ Bear Stearns	"Absence of Fiduciary Relationship. The Issuer, PE Renaissance and Potomac Edison each acknowledge and agree that the Underwriters are acting solely in the capacity of an arm's length contractual counterparty to the Issuer, PE Renaissance and Potomac Edison with respect to the offering of the Bonds contemplated hereby (including in connection with determining the terms of the offering) and not as a financial advisor or a fiduciary to, or an agent of, the Issuer, PE Renaissance or Potomac Edison. Additionally, none of the Underwriters is advising the Issuer, PE Renaissance or Potomac Edison as to any legal, tax, investment, accounting or regulatory matters in any jurisdiction. The Issuer, PE Renaissance and Potomac Edison shall consult with their own advisors concerning such matters and shall be responsible for making their own independent investigation and appraisal of the transactions contemplated hereby, and the Underwriters shall have no responsibility or liability to the Issuer, PE Renaissance or Potomac Edison with respect thereto. Any review by the Underwriters of the Issuer, PE Renaissance or Potomac Edison, the transactions contemplated hereby or other matters relating to such transactions will be performed solely for the benefit of the Underwriters and shall not be on behalf of the Issuer or Potomac Edison."

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Filed pursuant to Rule 424(b)(1)
Registration Statement No. 333-139820

$344,475,000 SENIOR SECURED SINKING FUND ENVIRONMENTAL CONTROL BONDS, SERIES A

MP ENVIRONMENTAL FUNDING LLC
Issuer of the Bonds

Tranche	Expected Average Life (years)	Principal Amount Offered(1)	Interest Rate	Price to Public (%)	Underwriting Discount and Commissions	Net Proceeds to Issuer (%)(1) (2)	Scheduled Final Payment Date	Final Maturity Date
A-1	4	$86,200,000	4.9820%	100%	0.30%	99.70%	July 15, 2014	July 15, 2016
A-2	10	$76,000,000	5.2325%	100%	0.40%	99.60%	July 15, 2019	July 15, 2021
A-3	16	$153,250,000	5.4625%	100%	0.50%	99.50%	July 15, 2026	July 15, 2028
A-4	20	$29,025,000	5.5225%	100%	0.55%	99.45%	July 15, 2027	July 15, 2028

(1) Before payment of fees and expenses.
(2) The total price to the public is $344,475,000. The total amount of the underwriting discount and commissions is $1,488,488. The total amount of proceeds to us before deduction of expenses (estimated to be $6,862,820) is $342,986,513.

A special West Virginia statute, or the Financing Act, authorizes the Public Service Commission of West Virginia, or the PSC, to issue irrevocable financing orders supporting the issuance of environmental control bonds. One of the purposes of the Financing Act is to lower the cost to electricity consumers of the financing of the construction and installation of emission control equipment at electric-generating facilities in West Virginia. The PSC issued an irrevocable financing order to Monongahela Power Company, or Mon Power or the utility, our indirect parent, and to the Potomac Edison Company, an affiliate of Mon Power. Pursuant to the financing order, Mon Power established us as a subsidiary company that is bankruptcy-remote from Mon Power and its affiliates to issue the bonds to pay for construction and installation of flue gas desulfurization equipment at Mon Power's Fort Martin generation facility in West Virginia, together with related financing and administrative costs.

We are issuing $344,475,000 of Senior Secured Sinking Fund Environmental Control Bonds, Series A, or the bonds, in multiple tranches. The bonds will accrue interest from the date of issuance. We will pay interest and principal on the bonds on January 15 and July 15 of each year, beginning on January 15, 2008.

The bonds are our senior secured obligations. They are secured by our environmental control property, which includes the right to impose, charge, collect and receive special, irrevocable nonbypassable charges, known as environmental control charges, to be paid by all electric service customers (individuals, corporations, other business entities, the State of West Virginia and other federal, state and local governmental entities) located within Mon Power's West Virginia service territory, the right to implement a true-up mechanism in respect of the environmental control charges, the right to receive all revenues and collections resulting from the environmental control charges, and other rights and interests that arise under the financing order. Mon Power's West Virginia service territory includes the geographic area in which Mon Power provided electric delivery service to customers as of April 7, 2006, plus any subsequent enlargements of the geographic area in West Virginia within which Mon Power subsequently comes to provide electric service. Mon Power is the servicer with regard to the bonds.

The Financing Act and financing order mandate that environmental control charges be adjusted periodically, and at least annually, or more frequently if necessary, to guarantee recovery of amounts sufficient to timely pay principal, interest and all other amounts

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The servicer must file true-up advice letters periodically as follows:

- the servicer must file a routine true-up advice letter with the PSC semi-annually, at least 15 days before the end of each semi-annual period. Subject to any modification by the PSC to correct any mathematical errors, the resulting adjustments up or down to the environmental control charges will become effective on the fifteenth day of the next semi-annual period (each January 15 and July 15);

- commencing July 1, 2007, the servicer, if necessary, may file a routine true-up advice letter with the PSC on the first day of the first month of any calendar quarter, and commencing July 1, 2026, on the first day of any calendar month. Subject to any modification by the PSC to correct any mathematical errors, the resulting adjustments up or down to the environmental control charges will become effective on the fifteenth day of the next succeeding calendar quarter, or month, as the case may be; and

- the servicer must file a non-routine true-up advice letter with the PSC if, in the servicer's discretion, the method it uses to calculate the environmental control charges requires modifications to more precisely project and generate sufficient revenues, with the modifications to become effective when reviewed and approved by the PSC within 90 days after filing. A non-routine true-up advice letter may also be initiated by PSC staff, subject to the State of West Virginia's obligation under the State Pledge not to take or permit any action that impairs the value of environmental control property or, except as part of the true-up process, reduce, alter or impair environmental control charges that are imposed, collected and remitted for the benefit of the bondholders, any assignee, and any financing parties, until all principal and interest payments in respect of environmental control bonds, all financing costs and all amounts to be paid to an assignee or financing party under an ancillary agreement are paid or performed in full.

True-up advice letters will take into account all amounts available in the general subaccount, the excess funds subaccount, and amounts necessary to replenish the capital subaccount to its required level, in addition to amounts payable on the bonds and related fees and expenses. In filing for a true-up adjustment, the servicer must use the most recent PSC-approved forecast of electricity deliveries (i.e., forecasted billing units) and the most recent estimate of related expenses.

The PSC Will Implement the True-Up Adjustments to Guarantee the Recovery of Revenues Sufficient to Provide Timely Payment of Scheduled Principal and Interest (and Other Related Costs and Amounts) on the Bonds. The PSC allows interested parties at least 30 days to comment on the mathematical accuracy of any routine true-up adjustment request. However, the financing order provides that the true-up adjustments must be implemented automatically in accordance with the time frame set forth above regardless of any protest to the adjustment by interested parties. An adjustment to the environmental control charges because of a protest, other than for mathematical errors, will be implemented through adjustments to the utility's other rates and charges and not to the environmental control charges. If the PSC finds a mathematical error, it may adjust the environmental control charges at any time.

Credit Risk: PSC-Guaranteed True-Up Mechanism and State Pledge Will Limit Credit Risk. In the Financing Act, the State of West Virginia pledges to and agrees with the bondholders, any assignee and any financing parties that the state will not take or permit any action that impairs the value of environmental control property or, except as part of the true-up process, reduce, alter or impair environmental control charges that are imposed, collected and remitted for the benefit of the bondholders, any assignee, and any financing parties, until any principal, interest and redemption premium in respect of environmental control bonds, all financing costs and all amounts to be paid to an assignee or financing party under an ancillary agreement are paid or performed in full.

The broad-based nature of the true-up mechanism and the State Pledge serve to effectively eliminate, for all practical purposes and circumstances, any credit risk to the payment of the bonds (i.e., that sufficient funds will be available and paid to discharge the principal and interest of each issue of bonds when due). See "Risk Factors" and "Cautionary Statement Regarding Forward-Looking Statements" for further information. See also the Financing Order, Finding of Fact No. 60.

If the Private Sector Defaults, PSC-Guaranteed True-Ups Will Continue to Obligate Public Sector to Pay

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Filed Pursuant to Rule 424(b)(1)
Registration No. 333-163488

$21,510,000 SENIOR SECURED ROC BONDS, ENVIRONMENTAL CONTROL SERIES B

PE ENVIRONMENTAL FUNDING LLC

Issuer of the Bonds

Principal Amount Offered	Interest Rate	Price to Public (%)	Underwriting Discount and Commissions	Net Proceeds to Issuer (%)(1)(2)	Scheduled Final Payment Date	Final Maturity Date
$21,510,000	5.127%	100%	0.60%	99.40%	1/15/2030	1/15/2031

(1) Before payment of fees and expenses.
(2) The total price to the public is $21,510,000. The total amount of the underwriting discount and commissions is $129,060. The total amount of proceeds to us before deduction of expenses (estimated to be $644,330) is $21,380,940.

We are issuing up to $21,510,000 of Senior Secured ROC Bonds, Environmental Control Series B, or the bonds, a type of ratepayer obligation charge or ROC bonds, pursuant to a special West Virginia statute, or the Financing Act, and an irrevocable financing order of the Public Service Commission of West Virginia, or the PSC. The ROC bonds will accrue interest from the date of issuance and pay interest only on each January 15 and July 15, beginning on July 15, 2010, and interest and principal on each January 15 and July 15, beginning on January 15, 2028. The bonds may not be redeemed by us prior to maturity. There is no other pre-payment permitted.

The bonds are our senior secured obligations, and are our obligations only. They are secured by our environmental control property, which includes the right to impose, charge, collect and receive special, irrevocable, nonbypassable charges based on the consumption of electricity. These charges pay principal, interest and expenses of the bonds and are known as environmental control charges, or as ratepayer obligation charges or ROCs. These charges will be paid on a joint and several basis by all West Virginia electric service customers of The Potomac Edison Company, or Potomac Edison. Potomac Edison's customers include all individuals, corporations, other business entities, the State of West Virginia and other federal, state and local governmental entities located within Potomac Edison's West Virginia service territory that receive electric service. Environmental control property includes the right to a mandatory true-up mechanism that routinely adjusts the ROCs as needed to whatever level necessary to guarantee payment of bond interest and principal on a timely basis. It also includes the right to impose ROCs and to receive all revenues resulting from the ROCs for as long as necessary to provide for the payment of bond interest and principal, as well as other rights and interests under the financing order. Potomac Edison is the servicer for the bonds.

The first dollars from the amount collected from each and every of Potomac Edison's West Virginia customers' electricity bills, without exception, must be remitted on a daily basis to the bond trustee to pay that customer's ROCs. In addition, the PSC's irrevocable financing order mandates that the true-up mechanism must adjust the ROCs for all customers at least semi-annually, and more frequently as needed, to guarantee revenues sufficient to make all scheduled payments of principal and interest on a timely basis. The PSC's obligations under the Financing Act and the financing order are direct, explicit, irrevocable and unconditional upon issuance of the bonds. These obligations are legally enforceable against the PSC, a United States public sector entity. The bondholders' right to have the true-up adjustment mechanism implemented is protected by both the United States federal and West Virginia state constitutions.

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The Servicer Must Request That the PSC Adjust the Environmental Control Charges Not Less Often Than Semi-Annually. There is No Limit on the Amount of the Environmental Control Charges that May be Imposed on Customers or the Amount of Time to Assess, Impose and Collect the Charges. At least semi-annually, initially and during the life of the bonds, the servicer will adjust the environmental control charges to a level guaranteed to generate revenues sufficient to pay fees and expenses of servicing and retiring the bonds, to pay interest on, and scheduled principal of, the bonds and to replenish the reserve account and the capital account as required for the next semi-annual payment on the bonds.

The servicer must file true-up advice letters as follows:

- the servicer must file a routine true-up advice letter with the PSC semi-annually, at least 15 days before the end of each semi-annual period. Subject to any modification by the PSC to correct any mathematical errors, the resulting adjustments up or down to the environmental control charges will become effective on the fifteenth day of the next semi-annual period (each January 15 and July 15);

- commencing January 15, 2010, the servicer, if necessary, may file a routine true-up advice letter with the PSC on the first day of the first month of any calendar quarter, and commencing January 2030, on the first day of any calendar month. Subject to any modification by the PSC to correct any mathematical errors, the resulting adjustments up or down to the environmental control charges will become effective on the fifteenth day of the next succeeding calendar quarter, or month, as the case may be; and

- the servicer must file a non-routine true-up advice letter with the PSC if, in the servicer's discretion, the method it uses to calculate the environmental control charges requires modifications to more precisely project and generate sufficient revenues, with the modifications to become effective when reviewed and approved by the PSC within 90 days after filing. A non-routine true-up advice letter may also be initiated by PSC staff, subject to the State of West Virginia's obligation under the State Pledge not to take or permit any action that impairs the value of environmental control property or, except as part of the true-up process, reduce, alter or impair environmental control charges that are imposed, collected and remitted for the benefit of the bondholders, any assignee, and any financing parties, until all principal and interest payments in respect of environmental control bonds, all financing costs and all amounts to be paid to an assignee or financing party under an ancillary agreement are paid or performed in full.

True-up advice letters will take into account all amounts available in the general account, the surplus account, and amounts necessary to replenish the reserve account and the capital account to their required levels, in addition to amounts payable on the bonds and related fees and expenses. In filing for a true-up adjustment, the servicer must use the most recent PSC-approved forecast of electricity deliveries (i.e., forecasted billing units) and the most recent estimate of related expenses.

The PSC Will Implement the True-Up Adjustments to Guarantee the Recovery of Revenues Sufficient to Guarantee Timely Payment of Scheduled Principal and Interest (and Other Related Costs and Amounts) on the Bonds. The PSC allows interested parties at least 30 days to comment on the mathematical accuracy of any routine true-up adjustment request. However, the irrevocable financing order provides that the true-up adjustments must be implemented automatically in accordance with the time frame set forth above regardless of any protest to the adjustment by interested parties. An adjustment to the environmental control charges because of a protest, other than for mathematical errors, will be implemented through adjustments to the utility's other rates and charges and not to the environmental control charges. If the PSC finds a mathematical error, it may adjust the environmental control charges at any time.

Credit Risk

PSC-Guaranteed True-Up Mechanism and State Pledge to Protect Bondholder Rights Will Limit Credit Risk. In the Financing Act, the State of West Virginia pledges to and agrees with the bondholders, any assignee and any financing parties that the state will not take or permit any action that impairs the value of environmental control property or, except as part of the true-up process, reduce, alter or impair environmental control charges that are imposed, collected and remitted for the benefit of the bondholders, any assignee, and any financing parties, until any principal, interest and redemption premium in respect of environmental control bonds, all financing costs and all amounts to be paid to an assignee or financing party under an ancillary agreement are paid or performed in full.

The broad-based nature of the true-up mechanism and the State Pledge serve to effectively eliminate, for all practical purposes and circumstances, any credit risk to the payment of the bonds (i.e., that sufficient funds will be available and paid to discharge the principal and interest of each issue of bonds when due). See "Risk Factors" and "Cautionary Statement Regarding Forward-Looking Statements" for further information. See also the Financing Order, Finding of Fact No. 60.

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Date: Tue, 30 Mar 2004 11:32:31 -0500
X-MS-Has-Attach:
X-MS-TNEF-Correlator:
Thread-Topic: RE:
Thread-Index: AcQV2bmgmi5AIm9dQ0Cp+i5yE/oUiAAmq+IQ
From: "Churaman, Mahendra" <mchuraman@thelenreid.com>
To: "Joseph Fichera" <jfichera@saberpartners.com>
X-OriginalArrivalTime: 30 Mar 2004 16:32:31.0699 (UTC) FILETIME=[9949E230:01C41674]

Does the following work for you?

"The broad-based nature of the true-up mechanism and the State Pledge serve to effectively eliminate, for all practical purposes and circumstances, any credit risk associated with the transition bonds."

-----Original Message-----
From: Joseph Fichera [mailto:jfichera@saberpartners.com]
Sent: Monday, March 29, 2004 5:04 PM
To: Churaman, Mahendra
Subject: Re:

Hmmmm. I think I like it but for the "reasonably forseeable".

Let me think and tinker but it is a lot better than I expected.
Progress. Praise the Lord.

-----Original Message-----
From: "Churaman, Mahendra" <mchuraman@thelenreid.com>
Date: Mon, 29 Mar 2004 16:52:22
To:<jfichera@saberpartners.com>
Subject: FW:

What do you think of Neil's proposed language?

-----Original Message-----
From: Miller, Shannon [mailto:smiller@hunton.com] On Behalf Of Anderson, Neil
Sent: Monday, March 29, 2004 3:47 PM
To: Churaman, Mahendra; Ronnie Puckett (E-mail)
Subject:

Ronnie and Mahendra - What do you think of this? Mahendra, if it is okay with you, Steve and Ronnie, you can forward it on.

The broad-based nature of the true-up mechanism and the

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET: 150148-EI EXHIBIT: 44
PARTY: STAFF – (DIRECT)
DESCRIPTION: Brian A. Maher BAM-6

State Pledge serve to effectively eliminate, for all practical purposes and in all reasonably foreseeable circumstances, credit risks associated with the transition bonds.

Shannon Miller
Professional Assistant to Neil Anderson
Hunton & Williams LLP
214.979.8247

DOCKET No. 25230

JOINT APPLICATION FOR	§	PUBLIC UTILITY
APPROVAL OF STIPULATION	§	
REGARDING TXU ELECTRIC	§	COMMISSION
COMPANY TRANSITION TO	§	
COMPETITION ISSUES	§	OF TEXAS

ISSUANCE ADVICE LETTER

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AUGUST 15, 2003

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET: 150148-EI EXHIBIT: 45
PARTY: STAFF – (DIRECT)
DESCRIPTION: Rebecca Klein RK-1

247

Kirk R. Oliver
Treasurer and Assistant Secretary

Oncor Electric Delivery Company
Corporate Finance
1601 Bryan Street
33rd Floor
Dallas, Texas 75201

Tel 214-812-5565
Fax 214-812-2488

August 15, 2003

Filing Clerk
Public Utility Commission of Texas
1701 N. Congress Avenue
P.O. Box 13326
Austin, TX 78711-3326

Re: Docket No. 25230, *Joint Application for Approval of Stipulation Regarding TXU Electric Company Transition to Competition Issues*

Ladies and Gentlemen::

Enclosed is the Issuance Advice Letter filed pursuant to Ordering Paragraph 4 of the Financing Order issued on August 5, 2002 in the above-captioned proceeding. Also included are the IRS rulings required to be submitted pursuant to Ordering Paragraph 39.

It should be noted that recovery of transition charges will begin following issuance of the transition bonds as provided in tariffs approved in the Order issued on August 5, 2002, in Docket No. 25230.

Sincerely,

Kirk R. Oliver

cc: Chairman Rebecca Klein
Commissioner Brett Perlman
Commissioner Julie Parsley
Mr. Joseph Fichera
Ms. Martha Elvey
All parties of record in Docket No. 25230

PUC Docket No. 25230 Service List

AEP TEXAS CENTRAL COMPANY/AEP TEXAS NORTH COMPANY/POLR POWER LP	RON FORD AMERICAN ELECTRIC POWER COMPANY STE 610 400 W 15TH ST AUSTIN, TX 78701 512-481-4558 512-481-4591 rkford@aep.com
CITIES	GEOFFREY M GAY LLOYD GOSSELINK BLEVINS ROCHELLE BALDWIN & TOWNSEND, PC STE 1800 111 CONGRESS AVE AUSTIN, TX 78701 512-322-5800 512-472-0532 ggay@lglawfirm.com
DFWHC/CICU	MARK F SUNDBACK KENNETH L WISEMAN ANDREWS & KURTH, LLP STE 300 1701 PENNSYLVANIA AVE, NW WASHINGTON, DC 20006 202-662-2700 202-662-2739 msundback@akllp.com
GARLAND CITY OF	LAMBETH TOWNSEND LLOYD GOSSELINK BLEVINS ROCHELLE BALDWIN & TOWNSEND, PC STE 1800 111 CONGRESS AVE AUSTIN, TX 78701 512-322-5800 512-472-0532 ltownsend@lglawfirm.com
MESQUITE CITY OF	GEORGIA N CRUMP LLOYD GOSSELINK BLEVINS ROCHELLE BALDWIN & TOWNSEND, PC STE 1800 111 CONGRESS AVE AUSTIN, TX 78701-4071 512-322-5832 512-472-0532 gcrump@lglawfirm.com

PUC Docket No. 25230 Service List

CONSTELLATION NEW ENERGY TEXAS INC.	VANUS J. PRIESTLEY CONSTELLATION NEWENERGY, INC. STE 310 701 BRAZOS ST AUSTIN, TX 78746 512-381-1900 512-381-1898 vpriestley@newenergy.com
NEW POWER CO	MARIANNE CARROLL CARROLL GROSS REEDER & DREWS, LLP STE 970 701 BRAZOS ST AUSTIN, TX 78701 512-320-5964 512-320-5920 mcarroll@texas.net
NUCOR STEEL	GARRETT STONE BRICKFIELD BURCHETTE RITTS & STONE, PC 1025 THOMAS JEFFERSON ST NW EIGHTH FLOOR - WEST TOWER WASHINGTON, DC 20007 202-342-0800 202-342-0807 gstone@bbrslaw.com
OFFICE OF PUBLIC UTILITY COUNSEL	SUZI RAY MCCLELLAN OFFICE OF PUBLIC UTILITY COUNSEL 9TH FLOOR 1701 N CONGRESS AVE AUSTIN, TX 78701 512-936-7500 512-936-7520 paiz@opc.state.tx.us
ONCOR	JO ANN BIGGS HUNTON & WILLIAMS ENERGY PLAZA, 30TH FL 1601 BRYAN ST DALLAS, TX 75201 214-979-3048 214-880-0011 jbiggs@worsham.net
PUC LEGAL DIVISION	PAULA MUELLER PUBLIC UTILITY COMMISSION OF TEXAS STE 8-110 1701 N CONGRESS AVE AUSTIN, TX 78701 512-936-7305 512-936-7036 paula.mueller@puc.state.tx.us

PUC Docket No. 25230 Service List

STATE OF TEXAS	TED ROSS OFFICE OF ATTORNEY GENERAL OF TEXAS CONSUMER PROTECTION DIVISION P O BOX 12548 CAPITOL STATION AUSTIN, TX 78711-2548 512-475-4170 512-322-9114 ted.ross@oag.state.tx.us
TEXAS INDEPENDENT ENERGY LP	ROBERT A RIMA LAW OFFICE OF ROBERT A RIMA STE 130 8240 N MOPAC EXWY AUSTIN, TX 78759 512-349-9449 512-343-9339 bob.rima@rimalaw.com
TEXAS INDUSTRIAL ENERGY CONSUMERS	LINO MENDIOLA ANDREWS & KURTH LLP STE 1700 111 CONGRESS AVE AUSTIN, TX 78701 512-320-9200 512-320-9292 lmendiola@akllp.com
TEXAS INDUSTRIES (TXI)	MARK W SMITH SIFUENTES & DRUMMOND, LLP STE 200 1002 WEST AVE AUSTIN, TX 78701 512-469-9933 512-469-9944 msmith@utilitylaw.com
TEXAS RETAILERS ASSOCIATION	JIM BOYLE LAW OFFICE OF JIM BOYLE STE 550 1005 CONGRESS AVE AUSTIN, TX 78701 512-474-1492 512-474-2507 jboyle@jimboylelaw.com
TXU ENERGY RETAIL	CAROLYN E SHELLMAN HUNTON & WILLIAMS 1601 BRYAN STREET ENERGY PLAZA, 30TH FLOOR DALLAS, TX 75201 214-979-3067 214-880-0011 cshellman@hunton.com

ISSUANCE ADVICE LETTER

August 15, 2003

ADVICE _____

THE PUBLIC UTILITY COMMISSION OF TEXAS

SUBJECT: ISSUANCE ADVICE LETTER FOR TRANSITION BONDS

Pursuant to the Financing Order adopted in *Joint Application for Approval of Stipulation Regarding TXU Electric Company Transition to Competition Issues*, Docket No. 25230 (the "Financing Order"), ONCOR ELECTRIC DELIVERY COMPANY (as successor in interest to TXU Electric Company, "Applicant") hereby submits, no later than the second business day after the pricing date of this series of Transition Bonds, the information referenced below. This Issuance Advice Letter is for the Oncor Electric Delivery Transition Bond Company LLC Transition Bonds, Series 2003-1, classes A-1, A-2, A-3, and A-4. Any capitalized terms not defined in this letter shall have the meanings ascribed to them in the Financing Order.

PURPOSE

This filing establishes the following:

(a) the actual terms and structure of the Transition Bonds being issued;
(b) confirmation of compliance with issuance standards;
(c) the initial Transition Charge for retail users;
(d) the identification of the Transition Property to be sold to a special purpose entity (the "SPE");
(e) the identification of the SPE; and
(f) that the Transition Bonds have been structured and priced in a manner that results in the lowest transition-bond charges consistent with market conditions and the terms of the Financing Order.

COMPLIANCE WITH ISSUANCE STANDARDS

The Financing Order requires Applicant to confirm, using the methodology approved therein, that the actual terms of the Transition Bonds result in compliance with the standards set forth in the Financing Order. These standards are:

1. The securitization of Qualified Costs will provide tangible and quantifiable benefits to ratepayers, greater than would be achieved absent the issuance of Transition Bonds (See Attachment 4, Schedule A);

2. The total amount of revenues to be collected under the Financing Order is less than the revenue requirement that would be recovered over the remaining life of

the Stranded Costs using conventional financing methods (See Attachment 4, Schedule A);

3. The structuring and pricing of the Transition Bonds proposed by the Applicant in its Application will result in the lowest transition-bond charges consistent with market conditions at the time that the transition bonds are priced and the general parameters (including the protection of the competitiveness of the retail electric market) set out in this Financing Order (See Attachment 4, Schedule B);

4. The amount securitized will not exceed the present value of the revenue requirement over the life of the proposed Transition Bonds associated with the securitized Regulatory Assets when the present value calculation is made using a discount rate equal to the interest rate on the Transition Bonds (See Attachment 4, Schedule C);

5. The annual servicing fee payable to Applicant while it is serving as Servicer (or to any other Servicer affiliated with Applicant) shall not at any time exceed 0.05% of the original principal amount of the Transition Bonds of each series, except that the fee shall not be less than $400,000 (See Attachment 2);

6. The annual servicing fee payable to any other Servicer not affiliated with Applicant shall not at any time exceed 0.60% of the original principal amount of the Transition Bonds (See Attachment 2);

7. The underwriting spread included in the Qualified Costs securitized under the Financing Order shall not exceed 0.480% of the principal amount of the Transition Bonds issued and sold (See Attachment 1);

8. The sum of the up-front costs and the sum of the fixed operating expenses incurred or to be incurred in connection with the proposed transaction authorized by the Financing Order shall not exceed the amounts of the appropriate caps set forth in Appendix C to the Financing Order (See Attachments 1 and 2);

9. The Transition Bonds will be issued in one or more series comprised of one or more classes or tranches having legal final maturities not exceeding 15 years from the date of issuance of such series (See Attachment 3);

10. The amortization of the Transition Bonds shall be as described in the Financing Order (See Attachment 3); and

11. The Applicant certifies to the Commission that the Transition Bonds have been structured and priced in a manner that results in the lowest transition-bond charges consistent with market conditions at the time that the transition bonds are priced and the general parameters (including the protection of the competitiveness of the retail electric market) set out in the Financing Order (See Attachment 4, Schedule B).

ACTUAL TERMS OF ISSUANCE

Transition Bond Series:	Transition Bonds, Series 2003-1
Transition Bond Issuer:	Oncor Electric Delivery Transition Bond Company LLC
Trustee:	The Bank of New York
Closing Date:	August 21, 2003
Bond Ratings:	AAA by Standard & Poor's Ratings Services Aaa by Moody's Investors Service AAA by Fitch, Inc.
Amount Issued:	$500,000,000
Transition Bond Issuance Costs:	See Attachment 1
Transition Bond Support and Servicing:	See Attachment 2
Coupon Rate(s):	See Below
Call Features:	5% Cleanup Call (optional redemption after last scheduled payment date)
Expected Principal Amortization Schedule:	See Attachment 3
Expected Final Maturity Date(s):	See Below
Legal Final Maturity Date(s):	See Below

	Coupon Rate	Expected Final Maturity	Legal Final Maturity
A-1	2.26%	02/15/2007	02/15/2009
A-2	4.03%	02/15/2010	02/15/2012
A-3	4.95%	02/15/2013	02/15/2015
A-4	5.42%	08/15/2015	08/15/2017

Payments to Investors: Semiannually, beginning February 16, 2004
Initial Annual Servicing Fee as a percent of the original Transition Bond principal balance: $400,000 minimum (0.08%) See Attachment 2
Cumulative Overcollateralization amount for the Transition Bonds, as a percent of the original Transition Bond principal balance: 0.50%
Annual Overcollateralization funding requirements: See Attachment 3

Description of type, amount and maturity (if applicable) of outstanding debt and equity securities of Applicant to be redeemed or retired with proceeds of the Transition Bonds (to the extent known) as shown below:

Use of Proceeds (in $000's)	
Oncor 7.875% FMB due 3/1/2023, callable 3/1/2003	223,770
Oncor 7.875% FMB due 4/1/2024, callable 4/1/2003	132,743
Oncor Common Stock Equity	123,262
Qualified Issuance Expenses ("QIE")	19,845
Unused QIE to be carried over to Series 2004 Bonds	380
Total	500,000

INITIAL TRANSITION CHARGE

Table I below shows the current assumptions for each of the variables used in the calculation of the initial Transition Charges.

TABLE I

Input Variables For Initial Transition Charges

Applicable period: from August 21, 2003 to August 15, 2004
Forecasted retail kWh/kW sales for applicable period:

Residential	39,672,508,000 kWh
General Service – Secondary (Non-demand)	1,212,096,000 kWh
General Service – Secondary (Demand)	158,119,834 kW
General Service – Primary (Non-demand)	26,015,000 kWh
General Service – Primary (Demand)	21,032,413 kW
High Voltage Service	8,146,642 kW
Lighting Service	543,613,000 kWh
Instantaneous Interruptible	12,880,562 kW
Noticed Interruptible	10,659,455 kW

Transition Bond debt service for applicable period:	$43,635,727
Servicing fees:	$400,000
Percent of billed amounts expected to be charged-off:	0.54%

Collections curve: 85.25% of billings collected in first month after billing month, 14.21% in second month after billing month

Forecasted annual ongoing transaction expenses (excluding Transition Bond principal and interest):	$505,282
Required overcollateralization amount for applicable period:	$208,334
Current Transition Bond outstanding balance:	$500,000,000
Expected Transition Bond outstanding balance as of 08/15/2004:	$477,456,761
Total Periodic Billing Requirement for applicable period:	$57,588,250

Allocation of such total among customer classes, in accordance with Utilities Code Section 39.303(c): See Attachment 5

Based on the foregoing, the initial Transition Bond Charges calculated for retail users are as follows:

TABLE II

Regulatory Asset Recovery Class	Initial Transition Charge
Residential	$0.000599 / kWh
General Service - Secondary	
Non-demand	$0.000577 / kWh
Demand	$0.158 / kW
General Service – Primary	
Non-demand	$0.000395 / kWh
Demand	$0.161 / kW
High Voltage Service	$0.197 / kW
Lighting Service	$0.000724 / kWh
Instantaneous Interruptible	$0.083 / kW
Noticed Interruptible	$0.150 / kW

IDENTIFICATION OF SPE

The owner of the Transition Property (the "SPE") will be:

Oncor Electric Delivery Transition Bond Company LLC

EFFECTIVE DATE

In accordance with the Financing Order, the Transition Charge shall be automatically effective upon the Applicant's receipt of payment in the amount of $500,000,000 from the SPE, following Applicant's execution and delivery to the SPE of the Bill of Sale transferring Applicant's rights and interest under the Financing Order, rights and interests that will become Transition Property upon transfer to the SPE as described in the Financing Order.

NOTICE

Copies of this filing are being furnished to the parties on the attached service list. Notice to the public is hereby given by filing and keeping this filing open for public inspection at the Applicant's corporate headquarters.

AUTHORIZED OFFICER

An authorized officer of the Applicant shall execute and deliver this Issuance Advice Letter on behalf of the Applicant.

Respectfully submitted,

Kirk R. Oliver
Treasurer and Assistant Secretary

Attachments

ATTACHMENT 1
TRANSITION BOND ISSUANCE COSTS

VARIABLE COSTS	ACTUAL COSTS - THIS SERIES		ESTIMATED MAXIMUM SERIES THROUGH 2003		ESTIMATED MAXIMUM ALL SERIES	
Original Issue Discount	0.0000%	$0	0.0000%	$0	0.0000%	$0
Underwriting Spread (1)	0.4800%	2,400,000	0.4800%	2,400,000	0.4800%	6,240,000
SEC Registration Fee	0.0081%	40,520	0.0092%	46,000	0.0092%	119,600
Subtotal Variable Up-front Expense (a)	0.4881%	$2,440,520	0.5078%	$2,446,000	0.5078%	$6,359,600
FIXED COSTS						
Printing Fees		$0		$ 500,000		$ 500,000
Trustee Fee and Counsel		14,792		10,000		10,000
Applicant Legal Fees and Expenses		2,215,656		2,000,000		2,000,000
Blue Sky Fees		0		30,000		30,000
Accountant's/Auditor's Fees		88,490		150,000		150,000
Rating Agency Fees		687,500		800,000		800,000
Legal Fees for Commission's Counsel		0		100,000		100,000
IRS Ruling Request Fee		6,000		5,000		5,000
SPE Startup Costs		0		0		0
Miscellaneous Fees		23,263		40,000		40,000
Application Preparation Costs		0		0		0
Up-front Servicer Setup Costs		0		500,000		500,000
Subtotal Fixed Up-Front Expenses (b)		$ 3,035,701		$ 4,135,000		$ 4,135,000
REACQUISITION COSTS						
Current Estimate of Costs (c)		$13,703,374		Not to exceed $13,644,528		Not to exceed $42,091,774
COMMISSION'S FINANCIAL ADVISOR COSTS (1)		$942,308		Not to exceed $942,308		Not to exceed $2,450,000
Out of U/W Spread (1)		$276,410		$276,410		$718,667
Remainder (d)		$665,898		$665,898		$1,731,333
TOTAL ((a) + (b) + (c) + (d))		**$19,845,493**				
AMOUNT INCLUDED IN TRANSITION BONDS				**Not to exceed $20,225,528**		**Not to exceed $52,586,374**
This series of bonds		**$19,845,493**				
Total to date		**$19,845,493**				
Excess costs over cap		**$0**				

HEDGING ISSUANCE COSTS: [Describe if applicable]

Notes:
(1) $718,667 of Commission's Financial Advisor Costs included in Underwriting Spread - $276,410 in first tranche, $442,257 in second

ATTACHMENT 2
TRANSITION BOND SUPPORT AND SERVICING COSTS *

SERVICING FEES	ACTUAL COSTS - THIS SERIES	ESTIMATED MAXIMUM - SERIES THROUGH 2003	ESTIMATED MAXIMUM - ALL SERIES
APPLICANT SERVICING FEES			
Annual Fee as Percent of Original Balance	$400,000 minimum	0.05% $400,000 minimum	0.05% $650,000
THIRD PARTY SERVICING FEES			
Annual Fee as Percent of Original Balance	0.60%		0.60%

ANNUAL ONGOING FIXED OPERATING EXPENSES *	ACTUAL COSTS	ESTIMATED MAXIMUM - ALL SERIES THROUGH 2003	ESTIMATED MAXIMUM
Trustee Fee and Expenses	$26,000	$30,000	$30,000
Independent Manager's Fee	4,000	0	0
Trust Operating Expense	5,000	50,000	50,000
Trust Accounting Expense	5,000	80,000	80,000
Rating Agency Fee	10,000	25,000	25,000
Administration Fee	50,000	0	0
Miscellaneous Fees and Expenses	$13,846	0	0
Total Fixed Operating Expenses	**$113,846**	**$185,000**	**$185,000 ****

* To the extent that contracts are entered into in connection with the issuance
** Limit on aggregate costs for all series

ATTACHMENT 3
TRANSITION BOND REVENUE REQUIREMENT INFORMATION
SERIES 2003-1

Complete this table for each class of each series of the Transition Bonds.

Total Series

Payment Dates	Principal Balance	Interest	Principal	Servicing Fees	Over-collateralization Amount	Other Expenses	Total Revenues
08/21/03	500,000,000						
02/15/04	492,306,305	10,410,227	7,693,695	200,000	104,166	48,359	18,456,447
08/15/04	477,456,761	10,682,261	14,849,544	200,000	104,167	56,923	25,892,895
02/15/05	456,942,229	10,514,462	20,514,532	200,000	104,166	56,923	31,390,083
08/15/05	441,696,293	10,282,647	15,245,936	200,000	104,167	56,923	25,889,673
02/15/06	420,759,491	10,110,368	20,936,802	200,000	104,166	56,923	31,408,259
08/15/06	405,119,707	9,873,782	15,639,784	200,000	104,167	56,923	25,874,656
02/15/07	383,786,579	9,697,053	21,333,128	200,000	104,167	56,923	31,391,271
08/15/07	367,605,693	9,339,050	16,180,886	200,000	104,166	56,923	25,881,025
02/15/08	345,452,767	9,013,005	22,152,926	200,000	104,166	56,923	31,527,020
08/15/08	328,581,952	8,566,623	16,870,815	200,000	104,168	56,923	25,798,529
02/15/09	305,694,545	8,226,676	22,887,407	200,000	104,166	56,923	31,475,172
08/15/09	288,018,970	7,765,495	17,675,575	200,000	104,166	56,923	25,802,159
02/15/10	264,321,740	7,409,332	23,697,230	200,000	104,167	56,923	31,467,652
08/15/10	245,757,142	6,882,713	18,564,598	200,000	104,166	56,923	25,808,400
02/15/11	221,067,258	6,423,239	24,689,884	200,000	104,167	56,923	31,474,213
08/15/11	201,434,510	5,812,165	19,632,748	200,000	104,166	56,923	25,806,002
02/15/12	175,654,700	5,326,254	25,779,810	200,000	104,167	56,923	31,467,154
08/15/12	154,894,114	4,688,204	20,760,586	200,000	104,167	56,923	25,809,880
02/15/13	127,974,759	4,174,379	26,919,355	200,000	104,167	56,923	31,454,824
08/15/13	105,984,296	3,468,116	21,990,463	200,000	104,167	56,923	25,819,669
02/15/14	77,762,165	2,872,174	28,222,131	200,000	104,168	56,923	31,455,396
08/15/14	54,407,684	2,107,355	23,354,481	200,000	104,166	56,923	25,822,925
02/15/15	24,794,740	1,474,448	29,612,944	200,000	104,167	56,923	31,448,482
08/15/15	0	671,937	24,794,740	200,000	104,167	56,923	25,827,767
Totals		165,791,965	500,000,000	4,800,000	2,500,000	1,357,588	674,449,553

Effective Annual Weighted Average Interest Rate of the Transition Bonds, Excluding Up-Front and Ongoing Costs: 4.31%
Life of Series. 12 years
Weighted Average Life of Series. 6.85 years
Combined Weighted Average Life of This and All Previously Issued Series: 6.85 years
Call provisions (including premium, if any): See page 3 of Issuance Advice Letter.
Expected Final Maturity Dates: See page 3 of Issuance Advice Letter.
Legal Final Maturity Dates: See page 3 of Issuance Advice Letter.
Annual Overcollateralization Funding Requirements: See Overcollateralization Amount column above.

ATTACHMENT 3
TRANSITION BOND REVENUE REQUIREMENT INFORMATION
SERIES 2003-1

Complete this table for each class of each series of the Transition Bonds.

Class A-1

Payment Dates	Principal Balance	Interest	Principal	Servicing Fees	Over-collateralization Amount	Other Expenses	Total Revenues
08/21/03	103,000,000						
02/15/04	95,306,305	1,125,103	7,693,695	41,200	21,458	9,962	8,891,418
08/15/04	80,456,761	1,076,961	14,849,544	38,718	20,166	11,020	15,996,409
02/15/05	59,942,229	909,162	20,514,532	33,702	17,553	9,592	21,484,542
08/15/05	44,696,293	677,347	15,245,936	26,236	13,665	7,467	15,970,651
02/15/06	23,759,491	505,068	20,936,802	20,238	10,541	5,760	21,478,409
08/15/06	8,119,707	268,482	15,639,784	11,294	5,882	3,214	15,928,656
02/15/07	0	91,753	8,119,707	4,009	2,088	1,141	8,218,697
Totals		4,653,876	103,000,000	175,397	91,353	48,157	107,968,783

ATTACHMENT 3
TRANSITION BOND REVENUE REQUIREMENT INFORMATION
SERIES 2003-1

*Complete this table for each class of **each series** of the Transition Bonds.*

Class A-2

Payment Dates	Principal Balance	Interest	Principal	Servicing Fees	Over-collateralization Amount	Other Expenses	Total Revenues
08/21/03	122,000,000						
02/15/04	122,000,000	2,376,357	0	48,800	25,417	11,800	2,462,373
08/15/04	122,000,000	2,458,300	0	49,563	25,814	14,106	2,547,783
02/15/05	122,000,000	2,458,300	0	51,104	26,617	14,545	2,550,566
08/15/05	122,000,000	2,458,300	0	53,398	27,812	15,198	2,554,708
02/15/06	122,000,000	2,458,300	0	55,242	28,771	15,723	2,558,036
08/15/06	122,000,000	2,458,300	0	57,990	30,203	16,505	2,562,999
02/15/07	108,786,579	2,458,300	13,213,421	60,229	31,369	17,142	15,780,462
08/15/07	92,605,693	2,192,050	16,180,886	56,691	29,526	16,135	18,475,289
02/15/08	70,452,767	1,866,005	22,152,926	50,383	26,241	14,340	24,109,895
08/15/08	53,581,952	1,419,623	16,870,815	40,789	21,244	11,609	18,364,080
02/15/09	30,694,545	1,079,676	22,887,407	32,614	16,986	9,282	24,025,966
08/15/09	13,018,970	618,495	17,675,575	20,082	10,459	5,716	18,330,327
02/15/10	0	262,332	13,018,970	9,040	4,709	2,573	13,297,624
Totals		24,564,338	122,000,000	585,925	305,169	164,674	147,620,106

ATTACHMENT 3
TRANSITION BOND REVENUE REQUIREMENT INFORMATION
SERIES 2003-1

Complete this table for each class of each series of the Transition Bonds.

Class A-3

Payment Dates	Principal Balance	Interest	Principal	Servicing Fees	Over-collateralization Amount	Other Expenses	Total Revenues
08/21/03	130,000,000						
02/15/04	130,000,000	3,110,250	0	52,000	27,083	12,573	3,201,907
08/15/04	130,000,000	3,217,500	0	52,813	27,507	15,031	3,312,851
02/15/05	130,000,000	3,217,500	0	54,455	28,362	15,499	3,315,816
08/15/05	130,000,000	3,217,500	0	56,900	29,635	16,195	3,320,230
02/15/06	130,000,000	3,217,500	0	58,864	30,658	16,754	3,323,776
08/15/06	130,000,000	3,217,500	0	61,793	32,184	17,587	3,329,064
02/15/07	130,000,000	3,217,500	0	64,179	33,426	18,266	3,333,371
08/15/07	130,000,000	3,217,500	0	67,746	35,284	19,282	3,339,812
02/15/08	130,000,000	3,217,500	0	70,728	36,837	20,130	3,345,195
08/15/08	130,000,000	3,217,500	0	75,264	39,200	21,421	3,353,385
02/15/09	130,000,000	3,217,500	0	79,128	41,212	22,521	3,360,361
08/15/09	130,000,000	3,217,500	0	85,052	44,298	24,207	3,371,057
02/15/10	119,321,740	3,217,500	10,678,260	90,272	47,017	25,693	14,058,741
08/15/10	100,757,142	2,953,213	18,564,598	90,285	47,023	25,697	21,680,816
02/15/11	76,067,258	2,493,739	24,689,884	81,997	42,707	23,338	27,331,665
08/15/11	56,434,510	1,882,665	19,632,748	68,818	35,843	19,587	21,639,660
02/15/12	30,654,700	1,396,754	25,779,810	56,033	29,184	15,948	27,277,728
08/15/12	9,894,114	758,704	20,760,586	34,903	18,179	9,934	21,582,306
02/15/13	0	244,879	9,894,114	12,775	6,654	3,636	10,162,058
Totals		51,450,204	130,000,000	1,214,005	632,293	343,297	183,639,800

ATTACHMENT 3
TRANSITION BOND REVENUE REQUIREMENT INFORMATION
SERIES 2003-1

*Complete this table for each class of **each series** of the Transition Bonds.*

Class A-4

Payment Dates	Principal Balance	Interest	Principal	Servicing Fees	Over-collateralization Amount	Other Expenses	Total Revenues
08/21/03	145,000,000						
02/15/04	145,000,000	3,798,517	0	58,000	30,208	14,024	3,900,749
08/15/04	145,000,000	3,929,500	0	58,906	30,681	16,766	4,035,853
02/15/05	145,000,000	3,929,500	0	60,738	31,634	17,287	4,039,160
08/15/05	145,000,000	3,929,500	0	63,465	33,055	18,063	4,044,084
02/15/06	145,000,000	3,929,500	0	65,656	34,196	18,687	4,048,038
08/15/06	145,000,000	3,929,500	0	68,923	35,898	19,617	4,053,937
02/15/07	145,000,000	3,929,500	0	71,584	37,283	20,374	4,058,741
08/15/07	145,000,000	3,929,500	0	75,563	39,355	21,506	4,065,925
02/15/08	145,000,000	3,929,500	0	78,889	41,088	22,453	4,071,930
08/15/08	145,000,000	3,929,500	0	83,948	43,723	23,893	4,081,064
02/15/09	145,000,000	3,929,500	0	88,258	45,967	25,120	4,088,845
08/15/09	145,000,000	3,929,500	0	94,866	49,409	27,000	4,100,775
02/15/10	145,000,000	3,929,500	0	100,688	52,442	28,657	4,111,287
08/15/10	145,000,000	3,929,500	0	109,715	57,143	31,226	4,127,584
02/15/11	145,000,000	3,929,500	0	118,003	61,460	33,585	4,142,548
08/15/11	145,000,000	3,929,500	0	131,182	68,323	37,336	4,166,342
02/15/12	145,000,000	3,929,500	0	143,967	74,983	40,975	4,189,426
08/15/12	145,000,000	3,929,500	0	165,097	85,988	46,989	4,227,574
02/15/13	127,974,759	3,929,500	17,025,241	187,225	97,513	53,287	21,292,766
08/15/13	105,984,296	3,468,116	21,990,463	200,000	104,167	56,923	25,819,669
02/15/14	77,762,165	2,872,174	28,222,131	200,000	104,168	56,923	31,455,396
08/15/14	54,407,684	2,107,355	23,354,481	200,000	104,166	56,923	25,822,925
02/15/15	24,794,740	1,474,448	29,612,944	200,000	104,167	56,923	31,448,482
08/15/15	0	671,937	24,794,740	200,000	104,167	56,923	25,827,767
Totals		85,123,547	145,000,000	2,824,672	1,471,185	801,461	235,220,865

ATTACHMENT 4
COMPLIANCE WITH SUBCHAPTER G OF THE UTILITIES CODE

SCHEDULE A

TANGIBLE & QUANTIFIABLE BENEFITS AND REVENUE REQUIREMENTS TESTS - THIS SERIES:

Name of Asset (List Each Asset Securitized)	(a) Present Value of Conventional Financing Over Securitized Life	(b) Present Value of Securitization Financing (excluding up-front and ongoing costs)	(c) Present Value of Up-front and On-going Costs	(d) Total Cost of Securitization (b) + (c)	(e) Savings/(Cost) of Securitization Financing (a) - (d)
SFAS 109	378,472,192	371,363,700	18,695,106	390,058,806	(11,586,614)
Securities Reacquisition Costs	131,266,416	76,647,232	3,858,557	80,505,789	50,760,627
Martin Lake Unit 4	1,109,553	1,603,123	80,704	1,683,827	(574,274)
Rate Case Exp. - Not earning	330,268	477,184	24,022	501,206	(170,938)
Rate Case Exp. - Earning	22,294,773	13,440,557	676,621	14,117,178	8,177,595
Vol. Retirement and Severance	7,249,698	10,474,630	527,311	11,001,941	(3,752,243)
DOE Decontamination Fund	1,580,049	2,282,912	114,926	2,397,838	(817,789)
Advance Notice Units	1,929,770	2,788,202	140,363	2,928,565	(998,795)
SO2 Allowance	(1,880,037)	(2,716,347)	(136,746)	(2,853,093)	973,056
Self Insurance Reserve	3,697,208	2,228,887	112,206	2,341,093	1,356,115
Totals	546,049,890	478,590,080	24,093,070	502,683,150	43,366,740

(1) The discount rate to be used for determining the present value of columns (b) and (c) is the weighted average annual interest rate of the transition bonds, excluding up-front and ongoing costs.

(2) The present value of up-front and ongoing costs are allocated based on the proportion of each asset's securitized present value in column (b) to the total of column (b).

(3) The values for column (a) shall be calculated in accordance with the Commision's Office of Regulatory Affairs' methodology addressed in Finding of Fact No. 34 in the Financing Order.

Kirk R. Oliver
Treasurer and Assistant Secretary

Oncor Electric Delivery Company
Corporate Finance
1601 Bryan Street
33rd Floor
Dallas, Texas 75201

Tel 214-812-5565
Fax 214-812-2488

August 15, 2003

Public Utility Commission of Texas
1701 N. Congress Avenue
P.O. Box 13362
Austin, TX 78711-3326

Re: *Joint Application for Approval of Stipulation Regarding TXU Electric Company Transition to Competition Issues*, Docket No. 25230

ONCOR ELECTRIC DELIVERY COMPANY (as successor in interest to TXU Electric Company, the "Applicant") submits this Certification pursuant to Ordering Paragraph No. 4 of the Financing Order in *Joint Application for Approval of Stipulation Regarding TXU Electric Company Transition to Competition Issues*, Docket No. 25230 (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 letter dated August 15, 2003, the Applicant has set forth the following particulars of the Transition Bonds:

Name of Transition Bonds:	Transition Bonds, Series 2003-1
SPE:	Oncor Electric Delivery Transition Bond Company LLC
Closing Date:	August 21, 2003
Amount Issued:	$500,000,000
Interest Rates and Expected Amortization Schedule:	See Page 3 and Attachment 3 of Issuance Advice Letter
Distributions to Investors (quarterly or semi-annually):	Semiannually
Weighted Average Coupon Rate:	4.310%
Weighted Average Yield:	4.312%

The following activities and endeavors were taken by the Applicant in connection with the design, structuring and pricing of the bonds:

- Included credit enhancement in the form of the true-up mechanism, a 0.50% capital subaccount and a 0.50% overcollateralization subaccount.
- Registered the transition bonds with the Securities and Exchange Commission (the "SEC") to expand the potential investor base.
- Agreed with the Commission's financial advisor to have the SPE maintain its registration and periodic report filing obligation with the SEC and to continue filing such periodic reports (without regard to the number of bondholders and to the extent permitted by law).
- Agreed with the Commission's financial advisor to include additional information in such periodic reports filed with the SEC that includes: the monthly and semi-annual servicer certificates, collection account balances, outstanding transition bond balances that reflect the periodic payments, true-ups (including results) filed with the Commission, and a quarterly affirmation that, in all material respects, each materially significant REP has been billed, made payments and satisfied the creditworthiness requirements outlined in the Financing Order.
- Agreed to maintain a website to include all of the periodic reports, including additional information, filed with the SEC as well as the final prospectus for each series of transition bonds and a current organization chart for the SPE.
- Obtained IRS Private Letter Rulings as described in the Prospectus and as required in the Financing Order.
- Achieved AAA/Aaa/AAA ratings from all three of the major rating agencies.
- Worked with the rating agencies to arrange rating agency conference calls and issuance of pre-sale reports during the marketing period to address investor questions.
- Worked with the Commission's financial advisor to select underwriters that have experience related to transition bond offerings as well as other ABS offerings.
- Used a Joint Book-Runner structure for the underwriting team to broaden the base of potential investors contacted.
- Worked with the Commission's financial advisor and the underwriters (and each of their respective counsels) to finalize documentation in accordance with established standards for transactions of this sort and the terms of the Financing Order.
- Worked with the Commission's financial advisor and the underwriters to develop a summary term sheet (including computational materials) to be distributed to potential investors to show them the benefits of this transaction.

- Worked with the Commission's financial advisor and the underwriters to develop a marketing plan designed to reach the broadest possible market of potential investors.
- Held periodic conference calls with the Commission's financial advisor and economists from each of the underwriters to monitor market conditions that could possibly affect the underlying index (treasury issues) to be used to price the transition bonds.
- Considered variables impacting the final structure of the transaction including the relative benefit of a fixed versus floating rate issue, length of average lives and maturity of the bonds in light of market conditions and investor demand at the time of pricing and adapted the transition bond offering accordingly so that the structure of the transaction would correspond to investor prefereuces and rating agency requirements for AAA ratings.
- Investigated possible new, first-time buyers for transition bonds. For example: investors that typically buy corporate securities who could potentially be enticed to buy these bonds through relative value comparisons. Added the most likely of these new buyers to the targeted investor list.
- Designed the marketing plan to incentivize each of the underwriters to market the bonds aggressively to their customers and to reach out to a broad base of potential investors using proven marketing and underwriting processes.
- Held education sessions (in person and via conference call) with the respective sales forces from each of the underwriters to ensure their knowledge of the transaction and the relative value to the potential investors.
- Had multiple conversations with all of the members of the underwriting team during the marketing phase in which we stressed the requirements of the Financing Order.
- During the period that the bonds were marketed, held frequent market update discussions with the underwriting team to develop recommendations for pricing.
- Provided the preliminary prospectus and summary term sheet to prospective investors.
- Provided potential investors with access to an internet roadshow for viewing on repeated occasions at investors' convenience.
- Held one-on-one and group conference calls with investors, to describe the transition bonds including the legislative, political and regulatory framework and the bond structure.
- Allowed sufficient time for investors to review the preliminary prospectus, summary term sheet and internet roadshow presentation and to ask questions regarding the transaction.

- Worked with the Commission's financial advisor to develop bond allocations, underwriter compensation and preliminary price guidance designed to achieve lowest interest rates consistent with market conditions and the terms of the Financing Order.

Based upon information reasonably available to officers, agents and employees of the Applicant, the Applicant hereby certifies that the structuring and pricing of the Transition Bonds, as described in the issuance advice letter, will result in the lowest transition-bond charges consistent with market conditions and the terms of the Financing Order, all within the meaning of Section 39.301 of PURA.

The foregoing certification does not mean that lower transition-bond charges could not have been achieved under different market conditions, or that structuring and pricing the Transition Bonds under conditions not permitted by the Financing Order could not also have achieved lower transition-bond charges.

The Applicant is delivering this Certification to the Commission and to the Commission's financial advisor, solely to assist them in establishing compliance with the aforesaid Section 39.301, and to no other person. The Applicant specifically disclaims any responsibility to any other person for the contents of this Certification, whether such person claims rights directly or as third-party beneficiary.

ONCOR ELECTRIC DELIVERY COMPANY

By: _____
Kirk R. Oliver
Treasurer and Assistant Secretary

SCHEDULE C
Securitizaton Cap:

(1) The net amount of assets securitized as shown on Appendix C of the Financing Order: $479,774,472 (1,247,413,626 x 5/13ths)

(2) The securitization cap as shown on Attachment 4, Schedule A, column (a) of the Issuance Advice Letter: $546,049,890

ATTACHMENT 5
ALLOCATION OF COSTS TO REGULATORY ASSET RECOVERY CLASSES

Regulatory Asset Recovery Class (1)	Allocation Factor (2)	Periodic Billing Requirement (3)	Billing Requirement per Rate Class (4) = (2) x (3)	Forecasted kWh/kW (5)	Transition Charge (6) = (4) / (5)
Residential Service	0.412705	$57,588,250	$23,766,959	39,672,508,000	$0.000599
General Service - Secondary	0.447323				
Non-demand		$57,588,250	$699,139	1,212,096,000	$0.000577
Demand *		$57,588,250	$25,061,410	158,119,834	$0.158
General Service - Primary	0.058982				
Non-demand		$57,588,250	$10,275	26,015,000	$0.000395
Demand *		$57,588,250	$3,386,395	21,032,413	$0.161
High Voltage Service *	0.027875	$57,588,250	$1,605,272	8,146,642	$0.197
Lighting Service	0.006836	$57,588,250	$393,673	543,613,000	$0.000724
Instantaneous Interruptible *	0.018568	$57,588,250	$1,069,299	12,880,562	$0.083
Noticed Interruptible *	0.027711	$57,588,250	$1,595,828	10,659,455	$0.150
Total	1.000000		$57,588,250		

* Charges are based on a per kW charge. All other classes are based on a per kWh charge.

INTERNAL REVENUE SERVICE Department of the Treasury

Index Number: 61.00-00; 61.03-00; 61.43-00; 451.01-00

Washington, DC 20224

John F. Stephens
Assistant Secretary
TXU US Holdings Company
Energy Plaza, 1601 Bryan, 46th Floor
Dallas TX 75201

Person to Contact:
Thomas Preston (ID NO 50-05811)
Telephone Number:
202) 622-3940
Refer Reply To:
CC:FI&P:2-PLR-107643-02
Date:
May 21, 2002

Legend:

Parent	=	TXU Corporation EIN: 75-2669310
Company	=	TXU Electric Company EIN: 75-1837355
Subsidiary	=	Oncor Electric Delivery Company EIN: 75-2967830
Issuer	=	TXU Transition Bond Company LLC EIN: 75-2851358
Date A	=	February 18, 2000
Date B	=	January 1, 2002
State A	=	Texas
State B	=	Delaware
Statute	=	Senate Bill 7 of the 76th Texas Legislature
Notes	=	Transition Bonds
a	=	1.30 billion
b	=	0.5
c	=	15
d	=	5

Dear Mr. Stephens:

On Date A, this office issued a private letter ruling (PLR # 200020045) ("Initial Ruling") concluding that the issuance of a financing order by the State A public utility commission (PUC) authorizing the collection of special charges to recover the utilities' regulatory assets and certain stranded costs, and the transfer to the Company of proceeds from the issuance of Notes did not result in gross income to Company, and that the Notes issued to investors by a special purpose entity (Issuer) would be obligations of the Company.

In a letter dated January 31, 2002, you requested a supplemental ruling because the structure of the proposed transaction changed as a result of the restructuring of the Company. Except as described below, all facts and representations cited in the Initial Ruling are incorporated for purposes of this letter. Any terms defined or legended in the Initial Ruling have the same meaning in this letter.

State A recently introduced competition into its electric industry. As a result, beginning on Date B, Company's customers were allowed to contract directly with alternative suppliers of electricity, and Company began competing with other parties to sell electricity. To implement deregulation, State A enacted Statute, which requires utilities to divide their business activities into a power generation company, a retail electric provider, and a transmission and distribution utility. In order to comply with Statute, Company formed and contributed all of its transmission and distribution assets to Subsidiary, a newly formed, wholly owned subsidiary of Company. Subsidiary, which like Company is regulated by State A's PUC, also assumed all of the liabilities related to the transmission and distribution assets contributed by Company.

Subsequent to the issuance of the Initial Ruling, Company and Subsidiary reached a settlement with PUC staff and several other interested parties whereby Company expects to be issued a financing order authorizing the recovery of regulatory assets, certain other qualified costs, and other expenses relating to the issuance and sale of the Notes, in the aggregate amount of $a, an amount that is less than the amount referenced in the Initial Ruling.

The restructuring undertaken after the issuance of the Initial Ruling to comply with the Statute's requirement that Company separate its business activities into three components, as well as the settlement reached for the issuance of a financing order allowing the Company to securitize an amount of costs different from the amount in the Initial Ruling, do not adversely affect the analysis in the Initial Ruling. Accordingly, the conclusions reached in the Initial Ruling issued on Date A that (1) the issuance of the financing order and the transfer of rights under the financing order to the Issuer will not result in gross income to Company; (2) the issuance of the Notes and the transfer of the proceeds to Company will not result in gross income to Company; and (3) the Notes will be obligations of the Company, are not affected.

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representative. A copy of this letter must be attached to any income tax return to which it is relevant.

This ruling is directed only to the taxpayer(s) requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

Sincerely,

/s/ William E. Coppersmith

William E. Coppersmith
Chief, Branch 2
Office of Associate Chief Counsel
(Financial Institutions & Products)

Internal Revenue Service Department of the Treasury

Index Number: 61.00-00; 61-03-00; 61.43-00; 451.01-00

Washington, DC 20224

Laurie S. Marsh
Thelen Reid & Priest LLP
40 West 57th Street
New York, NY 10019

Person to Contact:
Thomas M. Preston (ID NO. 50-05811)
Telephone Number:
(202) 622-4443
Refer Reply To:
CC:DOM:FI&P:2-PLR-117128-99
Date:
Feb. 18, 2000

Legend:

Parent	=	Texas Utilities Company, dba TXU Corp EIN: 75-2669310
Company	=	TXU Electric Company EIN: 75-1837355
Issuer	=	TXU Transition Bond Company LLC EIN: To be determined
State A	=	Texas
State B	=	Delaware
Statute	=	Senate Bill 7 of the 76th Texas Legislature
Notes	=	Transition Bonds
a	=	1.650 billion
b	=	0.5
c	=	15
d	=	5

Dear Ms. Marsh:

This letter is in reply to your letter dated October 20, 1999, asking the Internal Revenue Service to rule on the transaction described below.

FACTS

Company, a calendar year taxpayer that uses the accrual method of accounting, operates an electric utility in State A. Company generates, transmits, and distributes electricity to residential, commercial, and industrial customers within a designated territory. Company has the right to sell electricity at retail within its territory and is regulated by State A's public utility commission (PUC) and, to a limited extent, the Federal Energy Regulatory Commission.

State A is deregulating its electric industry. As a result, Company's customers will be allowed to contract directly with alternative suppliers of electricity, and Company will compete with other parties to sell electricity.

To facilitate deregulation, State A enacted Statute, which allows utilities in State A to impose special charges on their customers to recover the utilities' regulatory assets and certain stranded costs. Regulatory assets are assets of a utility for financial accounting purposes. They reflect costs incurred by the utility in prior periods that the utility expects to recover through regulated rates in the future. With deregulation, the Statute allows the generation-related regulatory assets to be recovered through the special charges. Stranded costs are the uneconomic portions of a utility's prudently incurred costs of generation-related assets and obligations. In general, stranded costs reflect the difference between the book value and the market value of these assets. As with regulatory assets, the Statute allows the utility to impose the special charges to recover these costs.

Under Statute, a utility may apply to PUC for a financing order permitting it to recover a specified amount of the costs described above. The special charges authorized by the financing order are called transition charges (TCs) and are imposed on substantially all of a utility's customers in the utility's service area. The TCs are "nonbypassable" and generally cannot be avoided even if a customer buys electricity from another source. The TCs are based, in part, on the amount of electricity purchased by, or made available to, the consumer, whether from the utility or from an alternative supplier.

The utility also may request the PUC to approve the issuance of securities called transition bonds that are secured by the utility's rights to the TCs. The amount of transition bonds approved in the financing order may include the amount of the regulatory assets and/or stranded costs that can be recovered plus the costs of issuing the transition bonds and using the proceeds to retire existing debt and equity of the utility.

Under the financing order, the TCs to be collected by a utility generally will be based on the amount of electricity provided to, or made available to, each customer. Actual collections of the TCs will vary from expected collections due to a number of factors including power usage and delinquencies. The financing order will require the adjustment of the TCs at least annually. Under Statute, when the right to collect TCs and the other rights under the financing order are assigned by the utility to another entity, the rights become a separate property right that is called transition property.

Proposed Transaction

Company has applied to PUC for a financing order authorizing Company to recover regulatory assets in the amount of $a and to issue Notes that will qualify as transition bonds in an aggregate principal amount of approximately $a. The actual principal amount will be determined when the Notes are issued based on the costs incurred in the proposed transaction. These costs relate to credit enhancement, servicing fees, and other expenses relating to the issuance and sale of

the Notes and the retirement of certain of its existing debt and equity. The financing order will authorize TCs in an amount needed to service the Notes, pay transaction costs, and provide for credit enhancement. The financing order also will provide that the right to collect the TCs may be assigned to a special purpose entity (the Issuer), at which point the right becomes transition property.

Company will form Issuer under State B law as a bankruptcy remote limited liability company solely for the purpose of effectuating the proposed transaction. Company will be the sole member of Issuer. Issuer will not elect to be treated as an association taxable as a corporation under Section 301.7701-3(b)(1) of the Procedure and administration Regulations. Company will contribute, as equity to Issuer, cash at least equal to b percent of the issue price of the Notes.

Pursuant to the financing order, Company will transfer the rights that will become the transition property to Issuer, and Issuer will issue and sell Notes to investors. The proceeds from the sale of the Notes, net of issuance costs, will be transferred to Company in consideration for the transition property.

Issuer will initially issue one series of Notes, which may be comprised of one or more classes, each having a different final maturity date. The Notes will have final maturities of no more than c years, and expected maturities, to be determined when the bonds are issued, of less than c years. The expected maturity is the date when all of the principal and interest on a class of Notes is expected to be paid; the final maturity date is the date on which nonpayment is a default.

Interest on the Notes will be payable quarterly or semi-annually at rates that are based on yields that are commensurate with similarly rated debt obligations with comparable weighted average maturities. The Notes are expected to be sold at or near their stated principal amounts. Principal payments will be scheduled to be made quarterly or semi-annually. Principal will be applied in sequential order to each class until the outstanding principal balance of the class is reduced to zero.

In general, the Notes will be payable solely out of the transition property and other assets of Issuer. However, the Notes may be subject to an optional "clean-up" call when the outstanding principal declines to less than d percent of the original issue price. Because the classes will be allocated principal in sequential order, the clean-up call will apply only to the class or classes with the longest maturities.

Initially, Company will act as servicer of the transition property. As servicer, Company will bill and collect TCs from customers, remit amounts collected to Issuer and retain all books and records with respect to the TCs. Deposits of TCs are expected to be

made to a Collection Account within two business days of the receipt of funds (or less frequently with rating agency approval). Pending such deposits, Company will keep records of the amount of such undeposited collections, although it may commingle such amounts with its other funds. Any investment income earned on the TCs prior to remittance will be retained by Company. With certain restrictions, Company may be replaced as servicer. Company will receive a fee as Servicer that will be paid quarterly.

After customer choice is implemented in State A, third-party retail electric providers (REPs) generally will bill and collect payments, including TCs, from customers. In that event, Company, as servicer, will bill the REP for the TCs. REPs may be required to take additional steps to ensure that timely payments will be made, including providing cash deposits of estimated collections. Nonetheless, in all events, the amounts paid will be based on the amount of electricity provided or made available to the customer.

The TCs will be set to provide for the recovery of the costs associated with billing and collecting the TCs as well as for an overcollateralization amount, that will eventually reach at least b percent of the original principal amount of the Notes. The overcollateralization amount will be collected approximately ratably over the expected term of the Notes.

A Collection Account will be established as credit enhancement for the Notes. The Collection Account will consist of four subaccounts entitled General, Overcollateralization, Capital, and Reserve. The General Subaccount will hold all funds in the Collection Account not held in any of the other subaccounts. The servicer will remit all TC collections to the General Subaccount, and the trustee will use the amounts in the General Subaccount to make payments in the following order of priority: (1) certain fees and expenses of Issuer (2) interest on the Notes, (3) specified amounts of principal on the Notes, (4) other expenses and (5) amounts needed to replenish certain Collection Account subaccounts. Investment income earned on the Collection Account also will be available to make these payments. Any remaining unallocated amounts are allocated to the Reserve Subaccount for distribution on subsequent payment dates. Once all Notes (including any new series of transition bonds issued pursuant to a subsequent financing order) have been paid in full, the balance in the Collection Account, if any, will be released to the Issuer or as it directs.

To the extent that the General Subaccount in any period is insufficient to make the required payments, the Trustee will draw upon the Reserve Subaccount, the Overcollateralization Subaccount, and finally, the Capital Subaccount to make these payments. To the extent that amounts in the Capital Subaccount or the Overcollateralization Subaccount are used to make payments of interest, principal, and expenses, future TCs will be adjusted to replenish those subaccounts.

The Notes will provide for the following events of default: (1) a default in the payment of interest that is not cured within five business days, (2) a default in the payment of outstanding principal on the final maturity date, (3) a default in the payment of the redemption price on a redemption date, (4) certain breaches of covenants, representations or warranties by Issuer that go unremedied for 30 days and (5) certain events of bankruptcy or insolvency of Issuer.

In the event of a payment default, the trustee or holders of a majority in principal amount of the Notes then outstanding may declare the Notes to be immediately due and payable.

The Notes will be nonrecourse to Company and will be secured only by, and generally payable solely out of, Issuer's assets, which will include the transition property, the servicing agreement, the Collection Account, and the rights to obtain adjustments to the TCs. Company expects the Notes to obtain the highest rating from two or more nationally recognized credit rating agencies.

ISSUES

Does the issuance of the financing order and the transfer of the rights under the financing order to Issuer result in gross income to Company?

Does the issuance of the Notes and the transfer of the proceeds to Company result in gross income to Company?

Are the Notes obligations of Company?

LAW

Section 61 of the Internal Revenue Code generally defines gross income as "income from whatever source derived", except as otherwise provided by law. Gross income includes income realized in any form, whether in money, property, or services. Section 1.61-1(a) of the Income Tax Regulations. This definition encompasses all "accessions to wealth, clearly realized, and over which the taxpayers have complete dominion." Commissioner v. Glenshaw Glass Co., 348 U.S. 426, 431 (1955), 1955-1 C.B. 207.

The right to collect the TCs is of significant value in producing income for Company. Moreover, State A's action in making the TC rights transferable has enhanced that value. Generally, the granting of a transferable right by the government does not cause the realization of income. Rev. Rul. 92-16, 1992-1 C.B. 15 (allocation of air emission rights by the Environmental Protection Agency does not cause a utility to realize gross income); Rev. Rul. 67-135, 1967-1 C.B. 20 (fair market value of an oil and gas lease obtained from the government through a lottery is not includable in income).

The economic substance of a transaction generally governs its federal tax consequences. Gregory v. Helvering, 293 U.S. 465 (1935), XIV-1 C.B. 193. Affixing a label to an undertaking does not determine its character. Rev. Rul. 97-3, 1997-1 C.B. 9. An instrument secured by property may be an obligation of the taxpayer or, alternatively, may be a disposition of the underlying property by the taxpayer. Cf. id. (the Small Business Administration is the primary obligor of certain guaranteed payment rights that are created under its participating security program).

CONCLUSIONS

Based on the facts as represented, we rule as follows:

(1) The issuance of the financing order and the transfer of the rights under the financing order to Issuer will not result in gross income to Company.

(2) The issuance of the Notes and the transfer of the proceeds to Company will not result in gross income to Company.

(3) The Notes will be obligations of Company.

Except as specifically ruled on above, no opinion is expressed or implied regarding the federal tax aspects of the transaction.

This ruling is directed only to Company. Under section 6110(k)(3) of the Code, this ruling may not be used or cited as precedent.

A copy of this letter should be attached to the federal income tax return of Company for the taxable years that include the transaction described in this letter.

Sincerely yours,
Assistant Chief Counsel
(Financial Institutions & Products)

By: /s/ Marshall Feiring
Marshall Feiring
Senior Technician Reviewer, Branch 2

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 150171-EI

ERRATA SHEET

WITNESS: **PAUL SUTHERLAND – STAFF**

PAGE NO.	LINE NO.	CHANGE
3	23	Change "RRBs not ABS for Financial Reporting" to "Securitized Utility Property Not A Financial Asset;"
3	24	Change "Exhibit No. ____ (PS-1c), FASB ASC;" to "Exhibit No. ____ (PS-1b), Accountants Handbook;"
3	25	Change "Exhibit No. ____ (PS-1b), Accountants Handbook;" to "Exhibit No. ____ (PS-1c), FASB ASC;"
4	9	Delete line.
4	10	Delete line.
4	13	Change "Credit Spreads for Auto Loan ABS vs. Credit Card ABS;" to "Saber Partners Report – Analysis of Ohio Power Pricing;"
4	23	Change "2010 to Present; and" to "Spreads – Citigroup vs. J.P. Morgan;"
4	24	Change "Exhibit No. ____ (PS-20), Utility Securitization Transactions since 1997." To "Exhibit No. ____ (PS-19a), AEP Sidley MS Email; and"
4	25	Add ""Exhibit No. ____ (PS-20), Utility Securitization transactions since 1997."
8	11	Change "that securitized" to "that the property collateralizing the securitized"
8	11-12	Change "as" to "as 'financial assets,' and those bonds therefore should not be treated"

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET: 150148-EI EXHIBIT: 46
PARTY: STAFF – (DIRECT)
DESCRIPTION: Hyman Schoenblum HS-1

PAGE NO.	LINE NO.	CHANGE
8	12-13	Change "See Exhibit No. ____ (PS-1a), attached to my testimony.)" to "See Exhibit Nos. ____ (PS-1a), ____ (PS-1b), and ____ (PS-1c), attached to my testimony."
12	8	Change "formula, either" to "formula, usually either"
14	13	Delete "____ (PS-2)."
15	6	Delete "Please."
15	17	Delete "have been"
25	15	Change "period)" to "period, excluding the 2012 CenterPoint transaction)"
32	10	Change "(PS-12)." to "(PS-15)."
35	14	Delete "See my"
44	7	Change "(PS-19)," to "(PS-19a),"
Exh (PS-1)		Replace Exhibit with color version of same Exhibit
Exh. (PS-1a)	Title	Change to "Securitized Utility Property Not a Financial Asset"
Exh. (PS-1b)		Replace Exhibit with color version of same Exhibit
Exh. (PS-3)		Replace Exhibit with color version of same Exhibit
Exh. (PS-4)		Replace Exhibit with color version of same Exhibit
Exh. (PS-5)		Replace Exhibit with color version of same Exhibit
Exh. (PS-6)		Replace Exhibit with color version of same Exhibit
Exh. (PS-6a)		Replace Exhibit with color version of same Exhibit
Exh. (PS-7)		Replace Exhibit with color version of same Exhibit
Exh. (PS-7a)		Delete (Exhibit was inadvertently included)
Exh. (PS-8)		Delete (This is a duplicate of Shoenblum's Exhibit No. ___(HS-1))

X-Original-To: jfichera@saberpartners.com
Delivered-To: jfichera@saberpartners.com
Subject: TX savings summary (revised)
Date: Fri, 19 Sep 2003 17:44:00 -0400
X-MS-Has-Attach: yes
X-MS-TNEF-Correlator:
Thread-Topic: condensed tx summary
Thread-Index:
AcN+zmsexn2mV2xHRPiWg+ijmPYVMAAFJHRgAAMMvGAAAZ4J8A==
From: "Donskaya, Marina [FI]" <marina.donskaya@citigroup.com>
To: "Joseph Fichera (E-mail)" <jfichera@saberpartners.com>
Cc: "Humphrey, Paul G [FI]" <paul.g.humphrey@citigroup.com>,
"Hiller, Howard L [FI]" <howard.l.hiller@citigroup.com>,
"Mclaughlin, Ish [FI]" <ish.mclaughlin@citigroup.com>,
"Lou, Wendy [FI]" <wendy.lou@citigroup.com>
X-Scanned-By: MIMEDefang 2.36

Joe, please use this version (instead of the one sent at 5 pm) as we revised cc savings per year (excluded tranches past 10 years) and added a paragraph on methodology used.

-----Original Message-----

Joe,

As discussed, we've revised our analysis to use actual coupons (instead of implied coupons) as a discount rate. I also wanted to note that we used average life (instead of duration) when calculating savings per year. Finally, we included both savings against other RRBs and against credit cards in the attached file (both including and excluding WMECO and PSNH).

In our methodology, we looked at the average spread to swaps for all transition bonds other than Texas deals in different average life buckets. The savings for each Texas deals are based on the difference between the average spread to swap and the Texas deal's spread to swap. The bps savings was then used to increase the coupon of the Texas bonds ("implied coupon") and calculate a new set of interest payments. The difference between the new interest payments and the original interest payments yield the dollar savings. These savings were then PV'ed back using the actual coupon as the discount rate.

The analysis looking at credit card differentials used the same methodology. Except, instead of looking at the average spread to swap, we looked at the average difference in spread to credit cards.

To summarize, the difference in total savings vs other transition bonds (excludes WMECO and PSNH) are as follows:

Reliant: $3,773,775 or 6.5 bps/yr (nominal), $2,955,295 or 5.1 bps/yr (PV)

CPL: $12,951,663 or 20.3 bps/yr (nominal), $9,748,976 or 15.3 bps/yr (PV)
Oncor: $6,629,694 or 19.4 bps/yr (nominal), $5,278,669 or 15.4 bps/yr (PV)
Total: 23,355,132 (nominal), 17,982,941 (PV)

The difference in total savings vs CC differentials were (excluding any tranches over 10 years):

Reliant: $2,009,392 or 10.8 bps/yr (nominal), $1,717,547 or 9.2 bps/yr (PV)
CPL: $5,167,226 or 13.2 bps/yr (nominal), $4,133,597 or 10.6 bps/yr (PV)
Oncor: $2,018,929 or 10.9 bps/yr (nominal), $1,725,982 or 9.3 bps/yr (PV)
Total: 9,195,546 (nominal), 7,577,127 (PV)

The savings, using credit card methodology, are comparable to the savings on the transition bonds as calculated using the average spread to swaps for all transition bonds for the tranches 10 yr and under.

Attached is an updated version of our analysis.

Please let us know if you have any additional questions.

Thank you.

Marina Donskaya, CFA
Associate
Asset Backed Finance
Citigroup Global Markets Inc.
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FX: 212-723-8591
Email: marina.donskaya@citigroup.com

SAVINGS ANALYSIS VS. AVERAGE RRB PRICING

Reliant

			Excludes WMECO and PSNH		Includes WMECO and PSNH	
	Amount (in MM)	WAL	Vs. RRB Spreads to Swaps Nominal	Vs. RRB Spreads to Swaps PV	Vs. RRB Spreads to Swaps Nominal	Vs. RRB Spreads to Swaps PV
A1	115.00	2.71	$93,434.51	$87,051.59	$93,434.51	$87,051.59
A2	118.00	5.29	$550,673.49	$479,878.49	$734,231.32	$639,837.99
A3	130.00	7.19	$747,819.79	$614,359.56	$1,215,207.16	$998,334.29
A4	385.90	10.29	2,381,847.26	$1,774,005.84	2,381,847.26	$1,774,005.84
Total	**748.90**	**7.80**	**$3,773,775.05**	**$2,955,295.48**	**$4,424,720.25**	**$3,499,229.71**
$ Savings per year:			**$483,812.88**	**$378,880.56**	**$567,266.63**	**$448,615.08**
Savings in bps per year:			**6.46**	**5.06**	**7.57**	**5.99**

CP&L

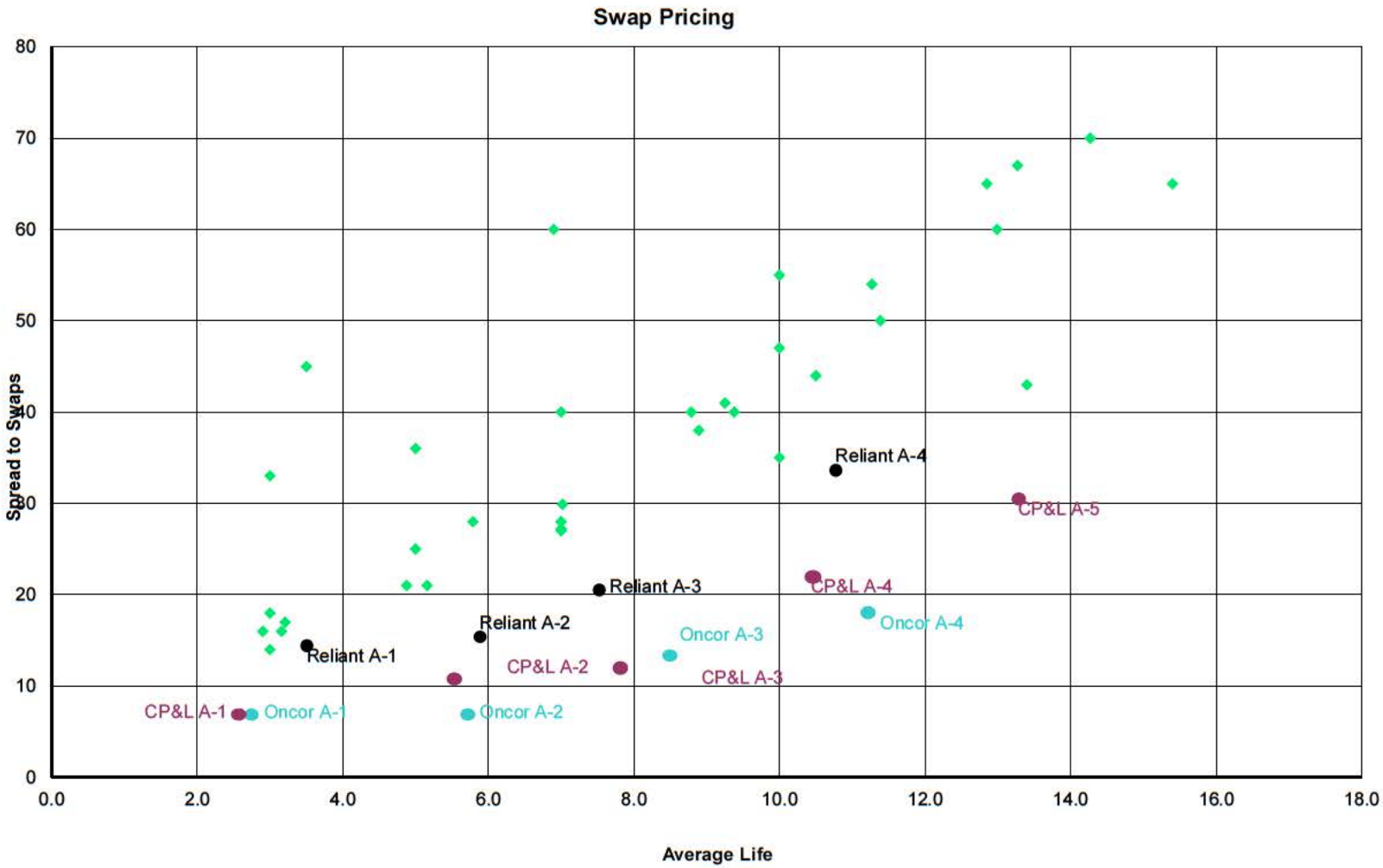
			Excludes WMECO and PSNH		Includes WMECO and PSNH	
	Amount (in MM)	WAL	Vs. RRB Spreads to Swaps Nominal	Vs. RRB Spreads to Swaps PV	Vs. RRB Spreads to Swaps Nominal	Vs. RRB Spreads to Swaps PV
A1	128.95	1.90	297,435.44	$287,022.66	$297,435.44	$287,022.66
A2	154.51	4.70	1,109,556.19	$993,018.42	$1,313,948.12	$1,175,942.87
A3	107.09	7.25	$1,241,870.88	$1,032,507.52	$1,629,955.53	$1,355,166.11
A4	214.93	10.00	$4,082,635.27	$3,110,906.97	$4,082,635.27	$3,110,906.97
A5	191.86	13.00	6,220,165.30	$4,325,520.62	6,220,165.30	$4,325,520.62
Total	**797.33**	**8.02**	**$12,951,663.08**	**$9,748,976.19**	**$13,544,139.65**	**$10,254,559.23**
$ Savings per year:			**$1,615,830.24**	**$1,216,267.78**	**$1,689,746.74**	**$1,279,343.57**
Savings in bps:			**20.27**	**15.25**	**21.19**	**16.05**

Oncor

			Excludes WMECO and PSNH		Includes WMECO and PSNH	
	Amount (in MM)	WAL	Vs. RRB Spreads to Swaps Nominal	Vs. RRB Spreads to Swaps PV	Vs. RRB Spreads to Swaps Nominal	Vs. RRB Spreads to Swaps PV
A1	103.00	2.00	$247,108.47	$239,226.15	$247,108.47	$239,226.15
A2	122.00	5.00	$1,158,120.15	$1,035,695.99	$1,340,981.22	$1,199,226.94
A3	130.00	8.00	$1,455,157.29	$1,186,576.28	$1,974,856.33	$1,610,353.53
A4	145.00	10.83	$3,769,308.37	$2,817,170.86	$3,769,308.37	$2,817,170.86
Total	**500.00**	**6.85**	**$6,629,694.28**	**$5,278,669.28**	**$7,332,254.39**	**$5,865,977.47**
$ Savings per year:			**$967,457.25**	**$770,305.03**	**$1,069,980.36**	**$856,009.67**
Savings in bps:			**19.35**	**15.41**	**21.40**	**17.12**

Total

	Excludes WMECO and PSNH		Includes WMECO and PSNH	
	Vs. RRB Spreads to Swaps Nominal	Vs. RRB Spreads to Swaps PV	Vs. RRB Spreads to Swaps Nominal	Vs. RRB Spreads to Swaps PV
Total Dollar Savings all Deals	$23,355,132.41	$17,982,940.95	$25,301,114.30	$19,619,766.41
Weighted Average $ Savings	$8,047,873.13	$6,170,236.69	$8,688,647.69	$6,709,825.53
Weighted Average $ Savings per Year	$1,043,093.32	$800,821.54	$1,127,490.42	$871,863.75
Weighted Average Savings in bps per Year	14.99	11.56	16.26	12.63


Swap Pricing
Spread to Swaps
Average Life
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Reliant A-2
Reliant A-3
Reliant A-4
CP&L A-1
CP&L A-2
CP&L A-3
CP&L A-4
CP&L A-5
Oncor A-1
Oncor A-2
Oncor A-3
Oncor A-4

SAVINGS ANALYSIS VS. CREDIT CARD PRICING DIFFERENTIALS (1)

Reliant

			Excludes WMECO and PSNH		Includes WMECO and PSNH	
	Amount (in MM)	WAL	Vs. CC Spread Differential Nominal	Vs. CC Spread Differential PV	Vs. CC Spread Differential Nominal	Vs. CC Spread Differential PV
A1	115.00	2.71	$218,013.85	$203,120.39	$218,013.85	$203,120 39
A2	118.00	5.29	$856,603.21	$746,477.65	$1,101,346.99	$959,756 98
A3	130.00	7.19	$934,774.74	$767,949.45	$1,402,162.11	$1,151,924.18
A4	385.90	10.29	NA	NA	NA	NA
Total	748.90	7.80	$2,009,391.80	$1,717,547.49	$2,721,522.95	$2,314,801 55
$ Savings per year			**$392,459.34**	**$335,458.49**	**$531,547.45**	**$452,109.68**
Savings in bps per year			**10.81**	**9.24**	**14.64**	**12.45**

CP&L

			Excludes WMECO and PSNH		Includes WMECO and PSNH	
	Amount (in MM)	WAL	Vs. CC Spread Differential Nominal	Vs. CC Spread Differential PV	Vs. CC Spread Differential Nominal	Vs. CC Spread Differential PV
A1	128.95	1.90	$223,076.58	$215,266.99	$223,076.58	$215,266 99
A2	154.51	4.70	$729,971.18	$653,301.59	$1,021,959.65	$914,622 23
A3	107.09	7.25	$776,169.30	$645,317.20	$1,241,870.88	$1,032,507 52
A4	214.93	10.00	$3,438,008.65	$2,619,711.13	$3,438,008.65	$2,619,711.13
A5	191.86	13.00	NA	NA	NA	NA
Total	797.33	8.02	$5,167,225.70	$4,133,596.92	$5,924,915.75	$4,782,107 87
$ Savings per year			**$801,120.26**	**$640,867.74**	**$918,591.59**	**$741,412.07**
Savings in bps			**13.23**	**10.58**	**15.17**	**12.25**

Oncor

			Excludes WMECO and PSNH		Includes WMECO and PSNH	
	Amount (in MM)	WAL	Vs. CC Spread Differential Nominal	Vs. CC Spread Differential PV	Vs. CC Spread Differential Nominal	Vs. CC Spread Differential PV
A1	103.00	2.00	$144,146.61	$139,548.59	$144,146.61	$139,548 59
A2	122.00	5.00	$731,444.30	$654,123.79	$975,259.07	$872,165.05
A3	130.00	8.00	$1,143,337.87	$932,309.94	$1,663,036.91	$1,356,087.18
A4	145.00	10.83	NA	NA	NA	NA
Total	500.00	6.85	$2,018,928.78	$1,725,982.31	$2,782,442.58	$2,367,800 81
$ Savings per year			**$386,028.45**	**$330,015.74**	**$532,015.79**	**$452,734.38**
Savings in bps			**10.87**	**9.30**	**14.99**	**12.75**

Total

	Excludes WMECO and PSNH		Includes WMECO and PSNH	
	Vs. CC Spread Differential Nominal	Vs. CC Spread Differential PV	Vs. CC Spread Differential Nominal	Vs. CC Spread Differential PV
Total Dollar Savings all Deals	**$9,195,546.29**	**$7,577,126.72**	**$11,428,881.29**	**$9,464,710.24**
Weighted Average $ Savings	**$3,456,624.90**	**$2,825,126.55**	**$4,203,381.28**	**$3,457,783.74**
Weighted Average $ Savings per Year	**$577,692.33**	**$473,720.00**	**$708,741.60**	**$584,629.97**
Weighted Average Savings in bps per Year	**11.94**	**9.87**	**14.98**	**12.44**

(1) Tranches beyond 10 years did not have a comparable credit card pricing.

Public Service Commission of Wisconsin

Burneatta Bridge, Chairperson
Robert M. Garvin, Commissioner
Mark Meyer, Commissioner

610 North Whitney Way
P.O. Box 7854
Madison, WI 53707-7854

Analysis of the Potential Savings From Saber Partners

Steven G. Kihm, CFA
Economist
Gas and Energy Division
Wisconsin Public Service Commission

Executive Summary

Statistical analysis of actual securitization data suggests that for a 10-year securitization issue, Saber's advice would reduce the yield spread on the security by about 15 to 20 basis points. For a $500 million security, this amounts to a savings of $750,000 to $1,000,000 per year. The savings estimates are statistically robust in that several different approaches provide similar answers.

This analysis confirms the strong recommendation received from the staffs of the New Jersey Board of Public Utilities the Public Utility Commission of Texas that Saber Partners' advice adds substantial value for the ratepayer. It also confirms some of the concerns of our staff that the proposed deal in this proceeding reflects a potentially less-than-cost-effective relationship-type arrangement between the utility and its investment bankers, rather than a more competitively arranged deal.

Overview

Saber Partners provided us with a database containing information regarding utility securitizations that have been completed over the past three years. In some cases Saber advised the regulator overseeing the transaction; in other cases it did not.

The key variable in question is the yield spread on the securitized debt relative to a benchmark, in this case the LIBOR Swap rate. This is a commonly used benchmark for asset-backed securities. I analyzed the data using a variety of techniques ranging from a simple comparison of means to multiple regression (including multiplicative interaction terms). The null hypothesis in this analysis is that the average yield spread when Saber advised on the transaction is the same as the average yield spread when it did not provide advice. The alternative hypothesis is that the yield spreads are significantly lower when Saber advised on the transaction.

The Data

Saber presented, but did not include in its data analysis, the spreads on a few short-term securitizations. There are two reasons for this: (1) most utility securitizations involve long-term issues, suggesting that the short-term issues may not be particularly relevant; and (2) two of the short-term deals on which Saber did not advise had extremely high yield spreads. As to the latter point, Saber actually would have demonstrated greater savings if it had included the two extreme points.

I prefer not to remove outliers from the data. If one has time, robust statistical techniques can be used to reduce the influence of extreme points without actually eliminating them from the data set. Nevertheless, given the short amount of time afforded for the analysis of this data, the Saber approach seems reasonable, especially since eliminating those points makes it more difficult for Saber to make its case that it can lower the yield spread.

Comparison of Means and Medians

A relatively simple method of comparing the spreads on the securities is to examine measures of central tendency (means and medians). This provides a rough-cut comparison that is a jumping-off point more than a definitive answer.

The following table shows the means and median for the two groups of securitizations:

Comparison of Yield Spreads (basis points)
(Benchmark: LIBOR Swap Rate)

	Saber Advised	No Saber Advice	Savings Attributable to Saber
No. of Deals	16	38	***
Mean Yield Spread	26	45	19
Median Yield Spread	26	40	14

This simple analysis suggests that there is a noticeable difference between the yields on the Saber-advised deals relative to the yields on the other deals. The difference in means is highly significant (t-statistic = 4.7).[1]

One might conclude from this analysis that, if all other factors were similar, Saber's advice reduces the yield spread by about 15 basis points relative to that which would result in a non-Saber-advised deal. On a $500 million issue, such as the one being proposed in our proceeding, that would amount to $750,000 per year in interest costs savings.

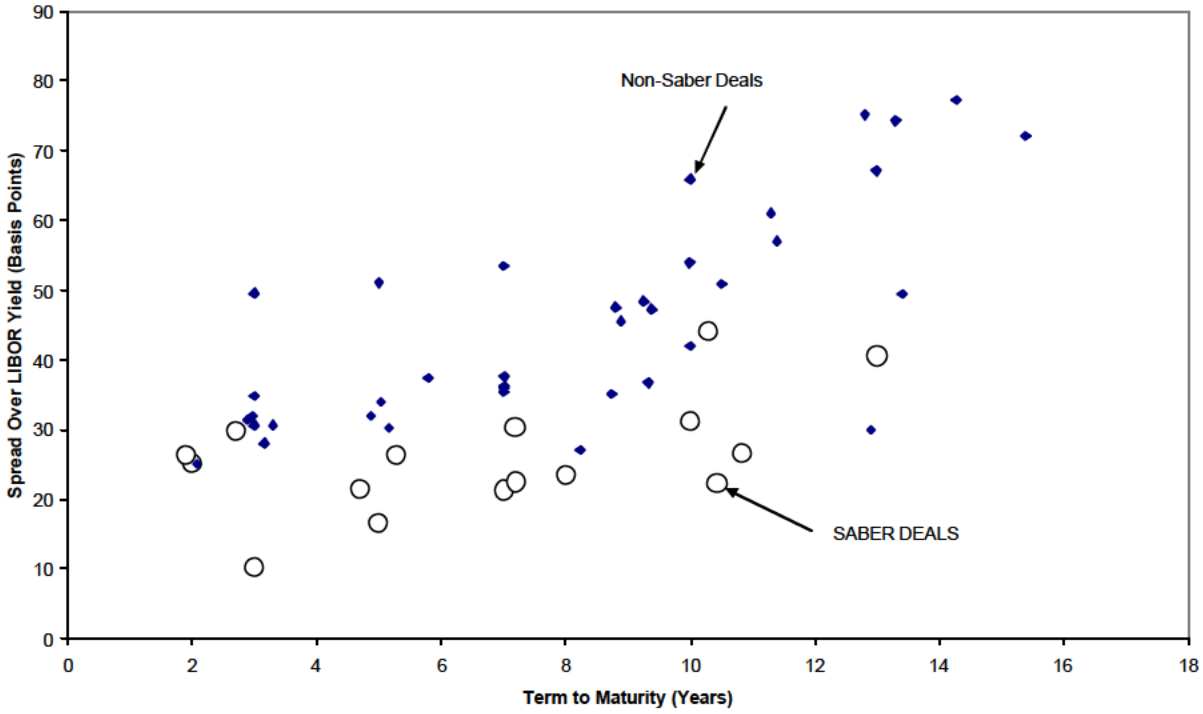
Yield Spread Versus Term to Maturity

The major problem with the comparison of the measures of central tendency is that other factors may confound the analysis. For example, it could be the case that all of the Saber-advised deals involved securities with a term to maturity of 10 years or less while the other deals had terms to maturity in excess of 10 years.

[1] Calculating the statistical significance of the difference in medians requires a more complex non-parametric statistical analysis, which given the time constraints is beyond the scope of this investigation.

Analysis of the data reveals that term to maturity is not a confounding factor. The following chart is a plot of the yield spread and the term to maturity for all the deals in the data set. Note that most of the Saber-advised deals produced yield spreads below those of the other deals regardless of the term to maturity.

Spreads Versus Term of Securities



A simple regression model that adjusts for time to maturity (term) can be estimated using the entire data. (Alternatively, two separate regressions, one on the Saber data and one on the non-Saber data could be estimated.)

The regression model that I estimated[2] has the following functional form:

$$Spread = \beta_0 + \beta_1 \times Term + \beta_2 \times Saber$$

The variables are defined as follows:

Spread = yield spread over LIBOR Swap rate
Term = years to maturity
Saber = indicator as to whether Saber advised (1 = yes; 0 = no)

[2] All regression models in this analysis are ordinary least squares models.

The estimated regression model is:

$$Spread = 24.58 + 2.54 \times Term - 15.65 \times Saber$$

The coefficients on the *Term* and *Saber* variables are highly significant. The interpretation of these coefficients is: (1) increasing the term to maturity by 1 year adds about 2.5 basis points to the yield spread; and (2) including Saber as advisor reduces the yield by about 16 basis points, regardless of the term to maturity.

We can allow for an interaction between the *Term* variable and the *Saber* variable by estimating the following model (the reason for doing this will be obvious in a moment):

$$Spread = b_0 + b_1 \times Term + b_2 \times Saber + b_3 \times (Term \times Saber)$$

Estimating this model yields the following result:

$$Spread = 21.06 + 2.97 \times Term - 3.48 \times Saber - 1.71 \times (Term \times Saber)$$

Interpreting the statistical significance of individual variables when interaction terms are included in a regression model is a bit more complicated than it is when only non-interactive variables are considered. In this case, the *Term* and *Term x Saber* variables are significant, but when viewed in isolation, the *Saber* variable is not. Anyone who has even a small amount of knowledge of regression analysis would know that this does not suggest that Saber's advice is not valuable. To estimate the net effect of Saber's advice, we must know whether Saber advised and the term to maturity of the security. The following table shows the estimated net effect:

Comparison of Yield Spreads (basis points)
(Benchmark: LIBOR Swap Rate)

Term to Maturity (Years)	Saber Advised	No Saber Advice	Savings Attributable to Saber
1	19	24	5
2	20	27	7
3	21	30	9
4	23	33	10
5	24	36	12
6	25	39	14
7	26	42	16
8	28	45	17
9	29	48	19
10	30	51	21
11	31	54	23
12	33	57	24
13	34	60	26
14	35	63	28
15	37	66	29

This reveals that the savings attributable to Saber increase as the term to maturity increases. At a 1-year maturity, the savings attributable to Saber are only about 5 basis points; at a 10-year maturity, the savings increase to 21 basis points. For a $500 million issue with a weighted average life of 10 years, the savings in interest cost due to Saber's advice are estimated to be about $1,000,000 per year.

While not necessary in a technical sense, to assuage any concerns among non-statistically-trained people about the insignificant term in the regression, we can re-estimate model with the Saber term deleted to show that the savings attributable to Saber are significant. In that case the model is:

$$Spread = b_0 + b_1 \times Term + b_3 \times (Term \times Saber)$$

Note that the Saber variable is in the model, but now only as a component of an interaction term. Estimating this model yields:

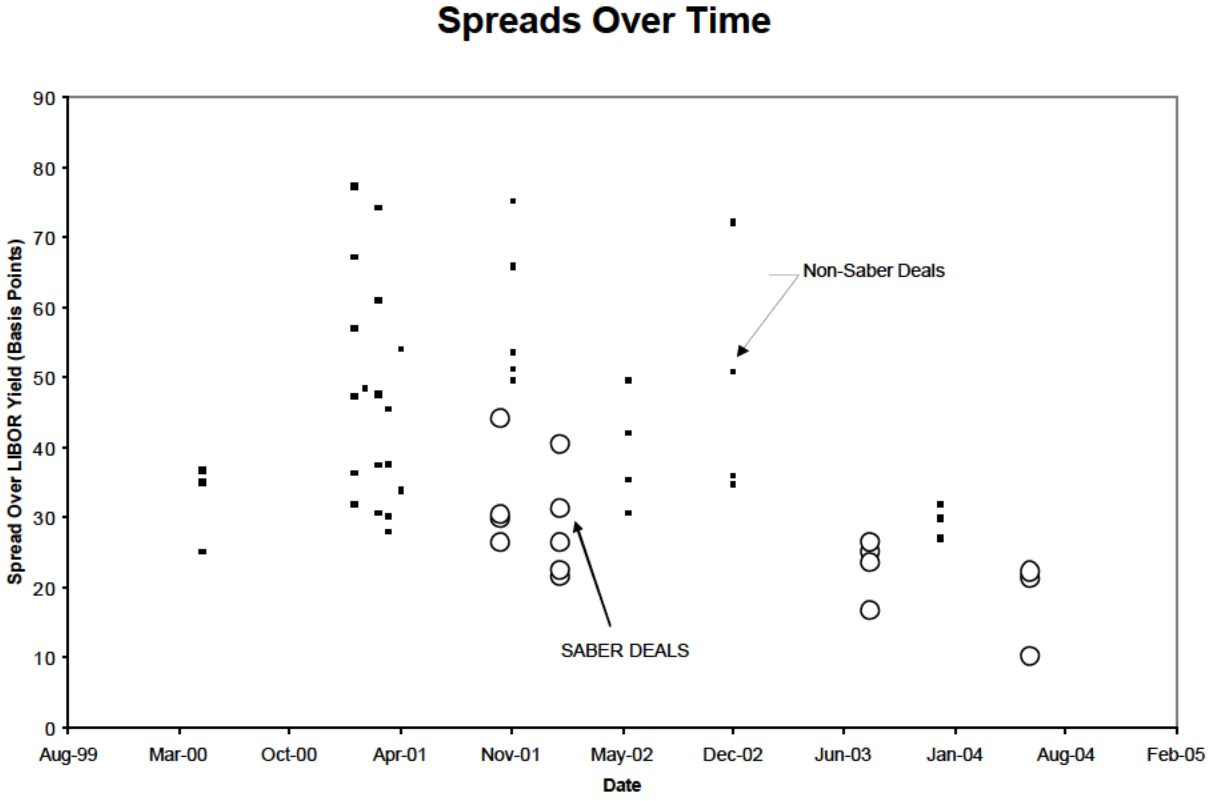
$$Spread = 19.94 + 3.09 \times Term - 2.11 \times (Term \times Saber)$$

Both slope coefficients are highly statistically significant. According to this model, if Saber advised on a deal involving a 10-year security, the estimated savings would be 21 basis points, which is exactly the same as the estimate from the prior model.

Yield Spread Versus Time

Another variable that could confound the analysis is time. It is hypothetically possible that Saber could have advised on deals at a time when market conditions for securitized securities were more favorable than they were when the other securities, for which Saber was not the advisor, were issued.

Analysis of the data again reveals that such is not the case. The following chart shows the yield spread for the Saber-advised and non-Saber-advised deals over time.



The yields on the Saber-advised deals are consistently below the yields on the bulk of the non-Saber-advised deals regardless of the timing of those deals.

We can include the time variable in our regression model as follows:

$$Spread = \beta_0 + \beta_1 \times Term + \beta_2 \times Saber + \beta_3 \times (Term \times Saber) + \beta 4 \times Time$$

The time variable is an index based on the Microsoft Excel® date convention. That number is adjusted so that on an annual basis January 1, 2001 equals the value of 1. The estimated model is:

$$Spread = 346.17 + 3.03 \times Term + 0.63 \times Saber - 1.79 \times (Term \times Saber) - 323.21 \times Time$$

All terms are significant, again with the exception of the stand-alone Saber variable. The Saber effect is picked up via the interaction term, which is highly significant. This model suggests that for a security with a 10-year term, the savings from Saber's advice would on net be about 17 basis points.

If one prefers the model with only the interaction term for Saber, and not the stand-alone variable, the result is:

$$Spread = 343.19 + 3.01 \times Term - 1.72 \times (Term \times Saber) - 320.06 \times Time$$

This model suggests that the savings from a Saber-advised 10-year deal would be 17 basis points, which is again identical to the estimate from the previous model.

Conclusion

The analysis of the data suggests that for a 10-year security, Saber's advice is worth about 15 to 20 basis points per year, on net, in terms of reduced interest charges. For a $500 million bond issue, this amounts to interest cost savings of $750,000 to $1,000,000 per year.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 150171-EI

ERRATA SHEET

WITNESS: **PAUL SUTHERLAND – STAFF**

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8	11	Change "that securitized" to "that the property collateralizing the securitized"
8	11-12	Change "as" to "as 'financial assets,' and those bonds therefore should not be treated"

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET: 150148-EI EXHIBIT: 48
PARTY: STAFF – (DIRECT)
DESCRIPTION: Paul Sutherland PS-1

PAGE NO.	LINE NO.	CHANGE
8	12-13	Change "See Exhibit No. ____ (PS-1a), attached to my testimony.)" to "See Exhibit Nos. ____ (PS-1a), ____ (PS-1b), and ____ (PS-1c), attached to my testimony."
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Exh. (PS-19a)		Add new Exhibit ____ (PS-19a)

SABER PARTNERS, LLC

Glossary of Finance Terms for Nuclear Asset-Recovery Bonds

Asset-backed security (ABS) - A debt security issued by a special purpose entity, the payment of which is backed by a fixed pool of physical assets (e.g., rail cars or airplanes) or a financial assets (e.g., a mortgage or the value of a portfolio of credit card receivables). Utility securitization bonds are not asset-backed securities but often have historically been treated as such to the detriment of ratepayers.

Bankruptcy-remote - A bankruptcy remote entity that is designed in such a way that (i) the likelihood of it going into bankruptcy is extremely small, and (ii) it would experience as little economic impact as possible in the event of a bankruptcy of other related legal entities.

Basis point (bp) - One one-hundredth of a percentage point, often referred to in writing as "bp" (or "bps" in the plural). Traders refer casually to this as "bps.".

Benchmark - When pricing a bond, the benchmark is a security with lots of price transparency that is agreed upon by all parties so that the yield on the new issue can be set relative to the yield on the benchmark. In that way, if yields in the market move after agreeing on the spread to benchmark but before final pricing, the parties do not have to renegotiate the final price/yield. A benchmark can also be a similar security used to determine relative value when talking to investors.

Callable/non-callable bonds/pre-payment risk - In many cases bonds are offered for sale with a "call provision." For example, a company may want the right to retire a given bond issuance in five years even though it carries a 25-year maturity. That bond issuance would be said to carry a five-year call option. Investors who worry their bonds might be called away from them in a relatively short period of time will not pay a high price for those bonds because they can't rely on earning the bonds' stated interest rate through maturity. Also known as "pre-payment risk. Non-callable bonds cannot be called away from the investor until the final maturity date. Nuclear Asset-Recovery Bonds typically are non-callable and therefore have no pre-payment risk.

Final *scheduled* maturity date - The date by which it is expected the final principal payment on a bond or on a group of substantially identical bonds will be made. If this date is missed, it is not an event of default.

Final *legal* maturity date - The date by which, if the principal is not fully paid, the bonds will be considered to be in default. Usually, the final legal maturity date is one to two years after the final scheduled maturity date. Somewhat confusing, but the scheduled versus legal final maturity is meant to account for potential uncertainty in receiving cash from assets supporting debt service.

Irrevocable financing order - A finance order issued by state regulators that cannot be changed or revoked at a later date as long as the securitization bonds are outstanding, and which (i) segregates a specific component of the retail rate or charge which is imposed through out the service territory, (ii) causes the right to receive this rate component to be treated as an interest in property that can be bought, sold or pledged, (iii) authorizes the utility to sell such property to an SPE, (iv)

authorizes the SPE to issue debt secured by such property, and (v) requires the utility which sold the property to use the proceeds of the sale for a specific purpose.

Maturity - The length of time the bond issuer has to repay specified amounts to the lender/investor. after which time, an event of default would occur and the investor would get creditor rights to sue for repayment.

Nominal Dollars or Nominal Savings - This type of measure reflects the current situation, not adjusted for the opportunity cost of funds over time. Nominal dollars treat all dollars the same whether received today or 10 years from today. See "present value" for the way to look at dollars over time.

Present value - The amount of cash today that is equivalent in value to a payment, or to a stream of payments, to be received in the future. To determine the present value, each future cash flow is multiplied by a present value factor. For example, if the opportunity cost of funds is 10%, the present value of $100 to be received in one year is $100 x [1/(1 + 0.10)] = $91. Opportunity cost means what a dollar today could earn over a specific period of time.

Regression Line - Regression takes a group of data points and tries to find a mathematical relationship between them. This relationship is typically in the form of a straight line (linear regression) that best approximates all the individual data points.

Relative value - The relationship between two securities' value in the market place. In pricing a new bond issue, for example, it is useful to compare the spread over swaps (see these definition below) of the proposed bond yield to the spread over swaps of a AAA-rated US agency bond. If the two securities were judged equal in risk with identical terms (not callable, same weighted average life, etc.), but one had a higher spread, it would be said to have greater relative value to the buyer.

Road show - A formal presentation to potential investors/ purchasers of a security, typically organized by underwriters with the involvement of the issuer and the financial advisor. A team sometimes travels around the U.S. to discuss the features of the security, resulting in the term "Road Show." Sometimes the team travels to foreign financial centers to make these presentations. In recent years, most Road Shows have been conducted using electronic media over the Internet, reducing or eliminating the need for travel though in person presentations are can be more effective.

Secondary market - The market in which stocks or bonds are traded after their initial issuance. The primary market is when the underwriters purchase the bonds from the issuer (i.e., the initial issuance mentioned above), and then sell the bonds into the market place. When a bond trades at a substantially higher price (lower yield) in the secondary market immediately following its issuance, this is an indication it was mispriced (priced too low) by the underwriters.

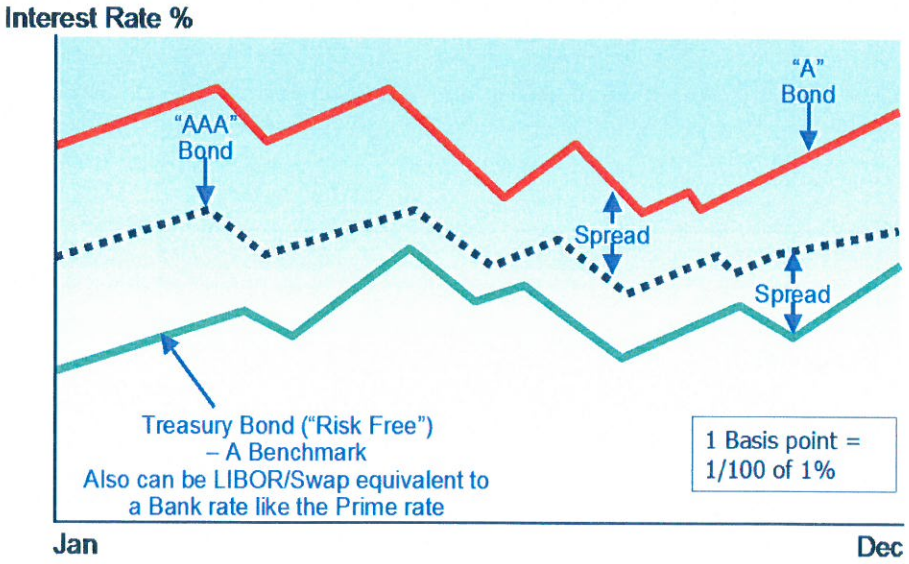
Securitization - The process by which a specific pool of assets, such as loan receivables, is used as a basis for issuing highly-rated (often AAA) bonds. The finite pool of assets is usually created and transferred to a trust or, in a utility securitization, to a bankruptcy remote entity, known as a special purpose entity (SPE). The entire right, title and interest in the assets is transferred at a fair market value to the SPE. The SPE pledges the assets to secure the bonds, and the cash flows from those assets are used to pay principal and interest on the bonds. Thus, the risk to the bondholder is just the risk associated with the cash flows from the assets in the SPE. The assets can be physical

(such as plant and equipment) or intangible (such as a loan receivable or the right to some other revenue stream).

Special purpose entity (SPE) - A bankruptcy remote (see **bankruptcy remote** definition, above) legal entity set up for the express purpose of owning the right, title and interest in the assets used to secure the bonds and provide the cash flows to pay interest and principal on the bonds.

Spread - The difference between the market yields of different fixed income securities of similar maturities, usually expressed in basis points. If a Treasury bond maturing in seven years is trading to yield 3.87%, and a AAA-rated corporate bond maturing in seven years is trading to yield 4.25%, the corporate bond is said to trade at a 38 basis point spread to the Treasury bond (4.25 – 3.87 = .38).

Spread is the easiest way to compare the cost of funds represented by different debt securities with similar structural characteristics. Participants usually will refer to the spread "relative to Treasuries" or "relative to swaps" as the most meaningful way to compare a given debt security to the most liquid, most secure, and most easily available benchmark for a given maturity. Spreads are often referred to as either "tight" or "wide" to the benchmark. (See **Tight spread/Wide spread** definition below.)



Swaps, or interest rate swap agreements - An interest rate swap exchanges a floating rate for a fixed rate on bonds. Under certain market conditions, a combination of floating-rate bonds and fixed-rate swaps could produce a lower overall "synthetic" fixed interest rate for ratepayers. Certain investors prefer a floating rate, while other investors prefer a fixed rate. For example, many European investors prefer a floating rate. There may be an opportunity to lower overall ratepayer costs by issuing floating-rate nuclear asset-recovery bonds and swapping them to a synthetic fixed rate.

Tranche - A tranche is a piece of a larger bond offering with its own cash flows, i.e. principal amount, maturity and interest rate, but governed by the same documents as the larger bond offering, i.e. prospectus, trust agreement, servicing agreement, etc.

Tight spread/Wide spread - If a spread is considered "tight," it is low and closer to the benchmark rate. If it is "wide," the interest rate is much higher than the benchmark rate. Interest

rates are composed of the benchmark plus the spread. Thus, a tight spread means a lower interest rate. Issuers want a tight spread, while buyers prefer a wide spread.

True-Up Period - The time in which nuclear asset-recovery charges and costs involved in an agreement are revised after the commencement of the contract. For instance, within 180 days after the commencement date, the parties will agree to revise the nuclear asset-recovery charges based on actual experience over the past 180 days. In this example, this will be done at the end of every future 180-day period.

Underwrite - This refers to the actions of an investment bank when it initially purchases newly issued bonds with the intention of re-offering or re-selling them to the ultimate investors in the secondary market; thus the investment bank is hoping to assume the market risk for a short period of time. In order to actually underwrite bonds, underwriters need to have capital at risk,

Underwriters - Investment banks that initially purchase the bonds and re-offer the bonds in the secondary market to the ultimate investors and put their capital at risk in doing so. A lead underwriter (sometimes called the "book-running" manager and most often called a "lead manager") is responsible for assembling and leading a syndicate that generally includes additional investment banks in an effort to reach the widest audience of buyers. A "co-lead underwriter" (or "co-manager") is another firm that also assumes responsibility to purchase the bonds from the issuer. Nowadays, in practice, the underwriters of a bond issue often have orders for 100% of a new issue before it is sold to anyone, and consequently the underwriters do not hold the bonds or take any appreciable market risk. This enables the underwriters to be rid of the risk they would otherwise assume. Underwriters are paid for taking risk, so when they price the bonds to "fly out the door," (i.e., little or no risk to the underwriter, many times oversubscribed) this is not a good thing for ratepayers. Example: If one puts his home up for sale, and it sells the first day, he can be relatively certain he did not receive the best price for his home even though his real-estate broker was paid handsomely.

Weighted average life (WAL) - The amount of time (in years), on average, the principal amount will remain outstanding. It is calculated by weighting the time each component of the principal is outstanding times the principal amount. Thus, for a bond that pays back all its principal at final maturity, the WAL is the same as the final maturity. However, utility securitization bonds amortize principal over a number of years, so the WAL is always less than the final maturity of the bond.

Yield, current - The annual coupon amount of interest on a bond, divided by the selling price (expressed as a percentage). A $1,000 principal amount bond that sells for $1,000 with a $50 annual interest coupon has a 5% yield. The lower the price, the higher the yield; the higher the price, the lower the yield.

Yield to maturity - Yield to maturity is the discount rate at which the sum of all future cash flows from the bond (coupons and principal) is equal to the price of the bond. This measure of yield takes into account the difference between the current price and the principal value at redemption. This is the yield referred to when pricing a bond and comparing to the yield on benchmark securities. It is more reflective of true value because it accounts for the time value of money.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 150171-EI

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FLORIDA PUBLIC SERVICE COMMISSION
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PARTY: STAFF – (DIRECT)
DESCRIPTION: Paul Sutherland PS-1a

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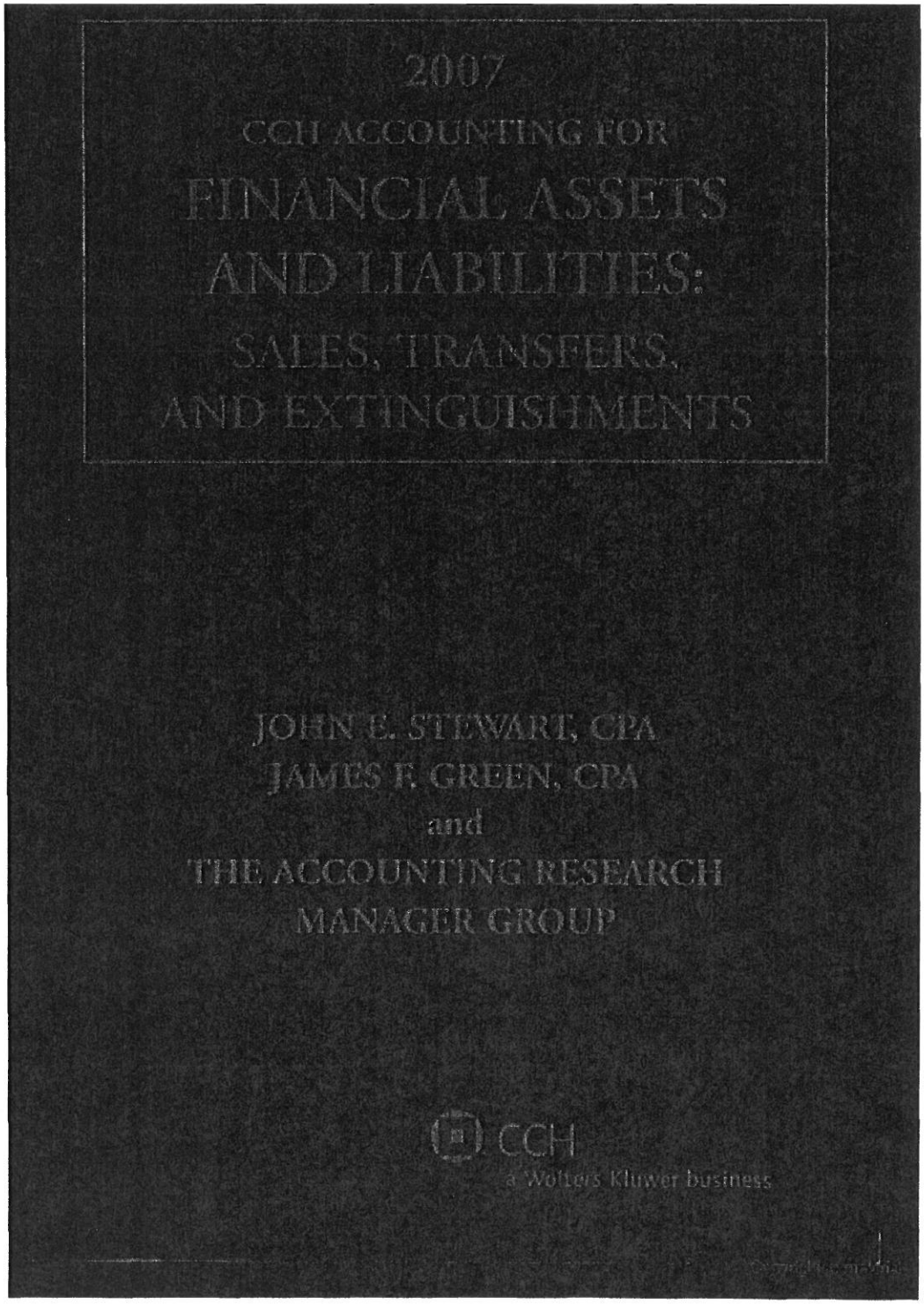
2007
CCH ACCOUNTING FOR
FINANCIAL ASSETS AND LIABILITIES:
SALES, TRANSFERS, AND EXTINGUISHMENTS
JOHN E. STEWART, CPA
JAMES F. GREEN, CPA
and
THE ACCOUNTING RESEARCH MANAGER GROUP
CCH
a Wolters Kluwer business

Question: Is a transfer of trade receivables for which the related goods or services have been provided, but for which the related receivables have not been billed, a transfer of financial assets that is accounted for under Statement 140?

Response: Yes. A common situation that creates unbilled receivables is when a utility company is able to recognize revenue for the service it provides to its customers but, due to its billing cycle, the customers are not invoiced until a later date. Since the utility has provided the service to its customer, it has a contractual right to receive payment for services rendered and generally would have recognized the related sale of electricity as revenue. Thus, unbilled receivables are recorded financial assets, the transfer of which would be accounted for under Statement 140. One possible technique to determine whether the would-be transferor has a contractual right to receive payment equal to the amount of the unbilled receivable would be to confirm the existence of the receivable amount with a sample of customers.

4-12. Securitization of Regulatory Assets

Summary: Regulatory assets (often called stranded costs) are not financial assets and therefore are not covered by Statement 140. The SEC staff believes EITF Issue No. 88-18, "Sales of Future Revenues," covers them.

Question (from FASB Staff Implementation Guide, Question 6):

> The deregulation of utility rates charged for electric power generation has caused electricity-producing companies to identify some of their electric power generation operations as "stranded costs." Prior to deregulation, utilities typically expected to be reimbursed for costs through regulation of rates charged to customers. After deregulation, some of these costs may no longer be recoverable through unregulated rates. Hence, such potentially unrecoverable costs often are referred to as stranded costs. However, some of those stranded costs may be recovered through a surcharge or tariff imposed on rate-regulated goods or services provided by another portion of the entity whose pricing remains regulated.
>
> Some entities have securitized their enforceable rights to impose that tariff (often referred to as "securitized stranded costs"), thereby obtaining cash from investors in exchange for the future cash flows to be realized from collecting surcharges imposed on customers of the rate-regulated goods or services. Are securitized stranded

costs considered to be financial assets, the transfer of which would be within the scope of Statement 140?

Response (from FASB Staff Implementation Guide, Question 6):

No. Paragraph 364 defines *financial asset* as "...a contract that conveys to a second entity a *contractual right* (a) to receive cash or another financial instrument from a first entity or (b) to exchange other financial instruments on potentially favorable terms with the first entity" (emphasis added). Therefore, to be a financial asset, an asset must arise from a contractual agreement between two or more parties, not by an imposition of an obligation by one party on another. This notion in Statement 140 is consistent with the notion discussed in paragraph 39 of FASB Statement No. 105, *Disclosure of Information about Financial Instruments with Off-Balance-Sheet Risk and Financial Instruments with Concentrations of Credit Risk*,[2] which stated:

> Other contingent items that ultimately may require the payment of cash but do not as yet arise from contracts, such as contingent liabilities for tort judgments payable, are not financial instruments. However, when those obligations become enforceable by government or courts of law and are thereby contractually reduced to fixed payment schedules, the items would be financial instruments under the definition.

Securitized stranded costs are not financial assets, and therefore transfers of securitized stranded costs are not within the scope of Statement 140. Securitized stranded costs are not financial assets because they are imposed on ratepayers by a state government or its regulatory commission and, thus, while an enforceable right for the utility, they are not a *contractual* right to receive payments from another party. To elaborate, while a right to collect cash flows exists, *it is not the result of a contract* and, thus, not a financial asset. Refer to Question 7 [Interpretation 2-4].

[2] Although Statement 105 was superseded by FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, the Board's definition of *financial asset* continues to be based on the definition of a financial instrument found in Statement 105.

Commentary: We discussed this issue with the SEC staff before the issuance of the FASB Staff Implementation Guide on Statement 125 (which preceded the Statement 140 FASB Staff Implementation

Guide). The SEC staff concluded that regulatory assets are not financial assets. The staff believes the legislation that provides for the securitization of regulatory assets simply allows the utility's regulatory authority to impose a tariff on electricity sold in the future. The law, however, does not transform regulatory assets into financial assets since they generally do not qualify to be accounted for as revenue until they are "billable" to the customer. The basis for the SEC staff's conclusion is that the resulting law creates an enforceable right (which is a right imposed on one party by another, such as a property tax), but not a contractual right. The SEC staff, after consulting with the FASB staff, concluded that the FASB specifically limited financial assets to contractual rights to cash or other financial assets, which are essentially a subset of enforceable rights. Thus, such an enforceable right does not meet the definition of a financial asset.

The SEC staff also concluded that the proceeds received by the utility do not represent cash for assets sold, but cash received for future services. This approach effectively precludes accounting for this type of a transaction as a sale outside of Statement 140. The SEC staff believes the proceeds represent debt. EITF Issue No. 88-18, "Sales of Future Revenues," provides the most relevant guidance to make that determination (see Interpretation 4-9).

4-13. Transfers of Minimum Lease Payments Under an Operating Lease

Summary: Transfers of contractual payments receivable under an operating lease are not within the scope of Statement 140.

Question (from FASB Staff Implementation Guide, Question 1):

> If a right to receive the minimum lease payments to be received under an operating lease is transferred, could it be considered a financial asset within the scope of Statement 140?

Response (from FASB Staff Implementation Guide, Question 1):

> No. A right to receive the minimum lease payments to be received under an operating lease is an unrecognized financial asset. As stated in paragraph 4, Statement 140 "does not address... transfers of unrecognized financial assets, for example, minimum lease payments to be received under operating leases."

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 150171-EI

ERRATA SHEET

WITNESS: **PAUL SUTHERLAND – STAFF**

PAGE NO.	LINE NO.	CHANGE
3	23	Change "RRBs not ABS for Financial Reporting" to "Securitized Utility Property Not A Financial Asset;"
3	24	Change "Exhibit No. ____ (PS-1c), FASB ASC;" to "Exhibit No. ____ (PS-1b), Accountants Handbook;"
3	25	Change "Exhibit No. ____ (PS-1b), Accountants Handbook;" to "Exhibit No. ____ (PS-1c), FASB ASC;"
4	9	Delete line.
4	10	Delete line.
4	13	Change "Credit Spreads for Auto Loan ABS vs. Credit Card ABS;" to "Saber Partners Report – Analysis of Ohio Power Pricing;"
4	23	Change "2010 to Present; and" to "Spreads – Citigroup vs. J.P. Morgan;"
4	24	Change "Exhibit No. ____ (PS-20), Utility Securitization Transactions since 1997." To "Exhibit No. ____ (PS-19a), AEP Sidley MS Email; and"
4	25	Add ""Exhibit No. ____ (PS-20), Utility Securitization transactions since 1997."
8	11	Change "that securitized" to "that the property collateralizing the securitized"
8	11-12	Change "as" to "as 'financial assets,' and those bonds therefore should not be treated"

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET: 150148-EI EXHIBIT: 50
PARTY: STAFF – (DIRECT)
DESCRIPTION: Paul Sutherland PS-1b

PAGE NO.	LINE NO.	CHANGE
8	12-13	Change "See Exhibit No. ____ (PS-1a), attached to my testimony.)" to "See Exhibit Nos. ____ (PS-1a), ____ (PS-1b), and ____ (PS-1c), attached to my testimony."
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14	13	Delete "____ (PS-2)."
15	6	Delete "Please."
15	17	Delete "have been"
25	15	Change "period)" to "period, excluding the 2012 CenterPoint transaction)"
32	10	Change "(PS-12)." to "(PS-15)."
35	14	Delete "See my"
44	7	Change "(PS-19)," to "(PS-19a),"
Exh (PS-1)		Replace Exhibit with color version of same Exhibit
Exh. (PS-1a)	Title	Change to "Securitized Utility Property Not a Financial Asset"
Exh. (PS-1b)		Replace Exhibit with color version of same Exhibit
Exh. (PS-3)		Replace Exhibit with color version of same Exhibit
Exh. (PS-4)		Replace Exhibit with color version of same Exhibit
Exh. (PS-5)		Replace Exhibit with color version of same Exhibit
Exh. (PS-6)		Replace Exhibit with color version of same Exhibit
Exh. (PS-6a)		Replace Exhibit with color version of same Exhibit
Exh. (PS-7)		Replace Exhibit with color version of same Exhibit
Exh. (PS-7a)		Delete (Exhibit was inadvertently included)
Exh. (PS-8)		Delete (This is a duplicate of Shoenblum's Exhibit No. ___(HS-1))

PAGE NO.	**LINE NO.**	**CHANGE**
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Exh. (PS-19)	Title	Change to "10-Year AAA Stranded Assets Spreads – Citigroup vs. J.P. Morgan" and
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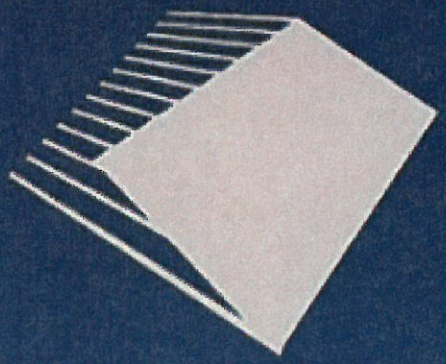
Exh. (PS-19a)		Add new Exhibit ____ (PS-19a)

TWELFTH EDITION

ACCOUNTANTS' HANDBOOK

VOLUME TWO:
Special Industries and Special Topics



Lynford Graham
D.R. Carmichael

asset's carrying amount and subsequently allocated to expense over that asset's useful life. ASC Topic 410 includes special provisions for entities that apply ASC Topic 980. Differences between amounts collected through rates and amounts recognized in accordance with ASC Topic 410 were recognized as regulatory assets and liabilities if the requirements of ASC Topic 980 were met.

(v) Securitization of Stranded Costs, Including Regulatory Assets. In connection with the electric industry restructuring efforts that occurred in a number of states, regulatory mechanisms were established to mitigate potential stranded costs. The legislative or regulatory framework for moving to a competitive marketplace included provisions when issued for the affected companies to securitize or "monetize" all or a portion of their stranded costs through the issuance of debt securities that would provide the utility with a lower cost of capital than that to which they were previously exposed. Generally, such provisions establish a separate unbundled revenue stream from the current bundled stream, surcharge, or tariff that would be the source of recovery from a company's rate payers for the stranded costs. Companies securitize their rights to impose such revenue stream, surcharge, or tariff by receiving cash flows from investors in exchange for future cash flows to be collected from customers. The utility would issue debt obligations in an amount equal to its stranded costs (or portion thereof). The resulting debt obligations would be nonrecourse since the company would sell the stranded costs to a credit-enhanced, bankruptcy remote special-purpose entity or trust established to finance the purchase through the sale of state-authorized debt. Collections of the tariff by the company would be passed through to holders of the debt as periodic payments of interest and principal.

The potential benefits to a company from securitizing stranded costs include the opportunity to improve credit quality and to use the proceeds to reduce leverage and fixed charges, or fund the termination of uneconomic contracts. The expectation is that monetizing the stranded costs would result in lower rates for consumers since higher cost of capital is effectively replaced by traditional utility debt with lower cost.

In February 1997, the SEC's Office of Chief Accountant provided financial reporting guidance to California's utility registrants for proceeds received in connection with a stranded cost securitization. The SEC Staff concluded that the proceeds received should be classified as either debt or deferred revenue based on the guidance in ASC Topic 470-10-25, *Debt*.

ASC Topic 470-10-25 reached a consensus that the presence of any one of six specifically identified factors independently creates a rebuttable presumption that classification of the proceeds as debt is appropriate. The facts and circumstances of stranded cost securitization transactions will typically result in the presence of one or more of the factors. Thus, securitization proceeds are generally expected to be classified as debt for financial reporting purposes.

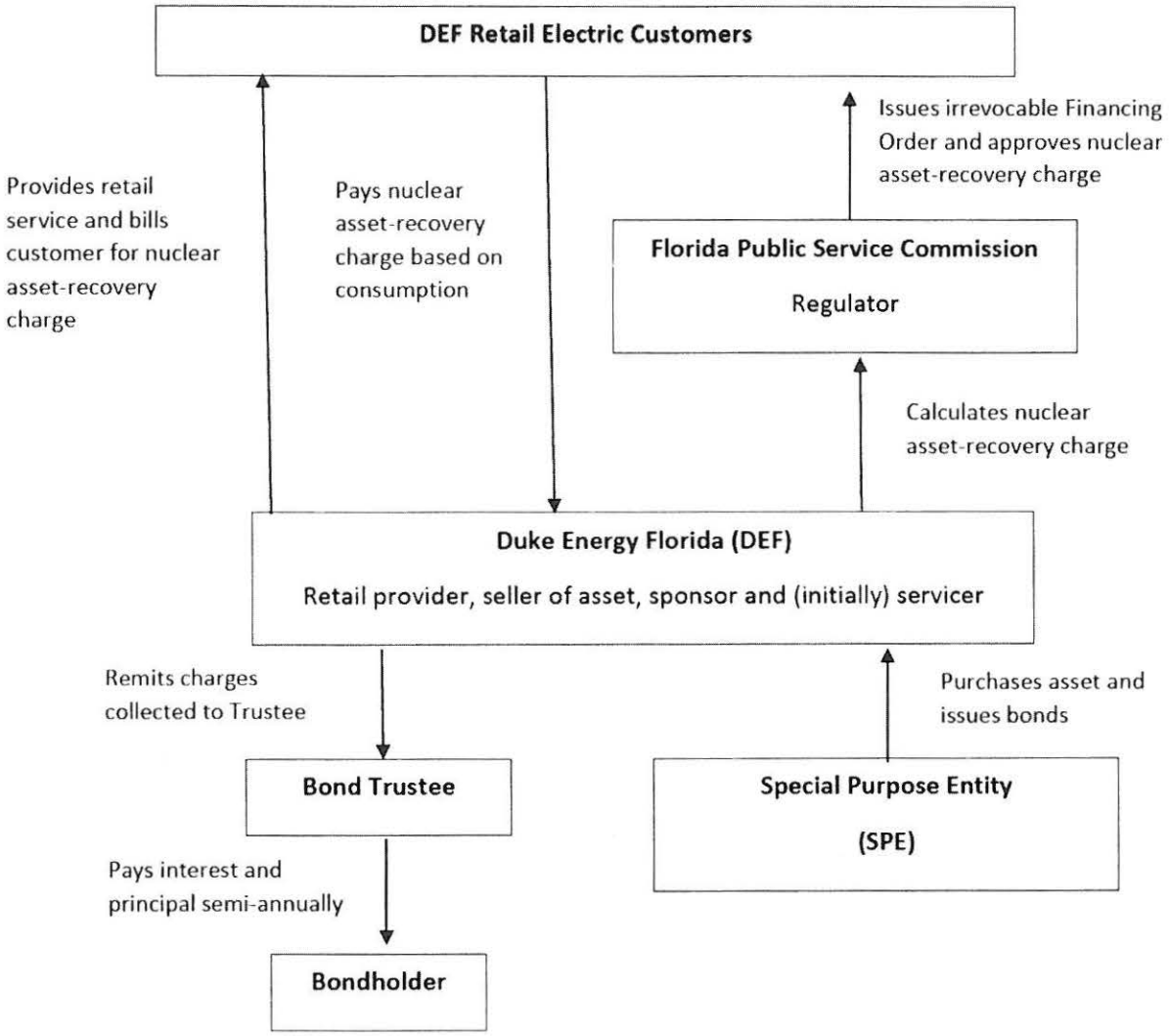
ASC Topic 470-10-25 also concluded that amounts recorded as debt should be amortized under the interest method. Generally, this will result in an increasing amount of stranded cost recognition in the income statement during the securitization period. This occurs because the amount recognized will equal the principal portion (on a mortgage basis) of the tariffed debt service cost that is billable to customers and recorded as revenue during each period.

In connection with providing classification guidance, the SEC Staff also concluded that regulatory assets are not financial assets. This is supported by ASC Topic 860-55-8, *Transfers and Servicing*, and SFAS No. 166, *Accounting for Transfers of Financial Assets—an Amendment of FASB No. 140*-FASB Statement Appendix C paragraph 6. Further, the legislation that provides for the securitization of regulatory assets simply allows the utility's regulator to impose a surcharge or tariff on electricity sold in the future. The law, however, does not transpose regulatory assets into financial assets. The basis for the SEC Staff's conclusion is that the resulting law creates an enforceable right (which is a right imposed on one party by another, such as a property tax) and not a contractual right. The SEC Staff, after consulting with the FASB Staff, concluded that the FASB specifically limited financial assets to a contractual right, which is essentially a subset of an enforceable right. Thus, enforceable rights that are not contractual rights do not meet the definition of a financial asset under ASC Topic 860-55-8. However, beneficial interests in a securitization trust that holds nonfinancial assets, such as securitized stranded costs, would be considered financial

Financial Accounting Standards Board (FASB)
Accounting Standards Codification (ASC)
Topic 860-10-55-8

Securitized stranded costs are not financial assets, and therefore transfers of securitized stranded costs are not within the scope of this Subtopic. Securitized stranded costs are not financial assets because they are imposed on ratepayers by a state government or its regulatory commission and, thus, while an enforceable right for the utility, they are not a contractual right to receive payments from another party. To elaborate, while a right to collect cash flows exists, it is not the result of a contract and, thus, not a financial asset.

Participants in Nuclear Asset-Recovery Bond Transaction



FLORIDA PUBLIC SERVICE COMMISSION
DOCKET: 150148-EI EXHIBIT: 52
PARTY: STAFF – (DIRECT)
DESCRIPTION: Paul Sutherland PS-2

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 150171-EI

ERRATA SHEET

WITNESS: **PAUL SUTHERLAND – STAFF**

PAGE NO.	LINE NO.	CHANGE
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FLORIDA PUBLIC SERVICE COMMISSION
DOCKET: 150148-EI EXHIBIT: 53
PARTY: STAFF – (DIRECT)
DESCRIPTION: Paul Sutherland PS-3

PAGE NO.	LINE NO.	CHANGE
8	12-13	Change "See Exhibit No. ____ (PS-1a), attached to my testimony.)" to "See Exhibit Nos. ____ (PS-1a), ____ (PS-1b), and ____ (PS-1c), attached to my testimony."
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Exh. (PS-1a)	Title	Change to "Securitized Utility Property Not a Financial Asset"
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Exh. (PS-7a)		Delete (Exhibit was inadvertently included)
Exh. (PS-8)		Delete (This is a duplicate of Shoenblum's Exhibit No. ___(HS-1))

PAGE NO.	**LINE NO.**	**CHANGE**
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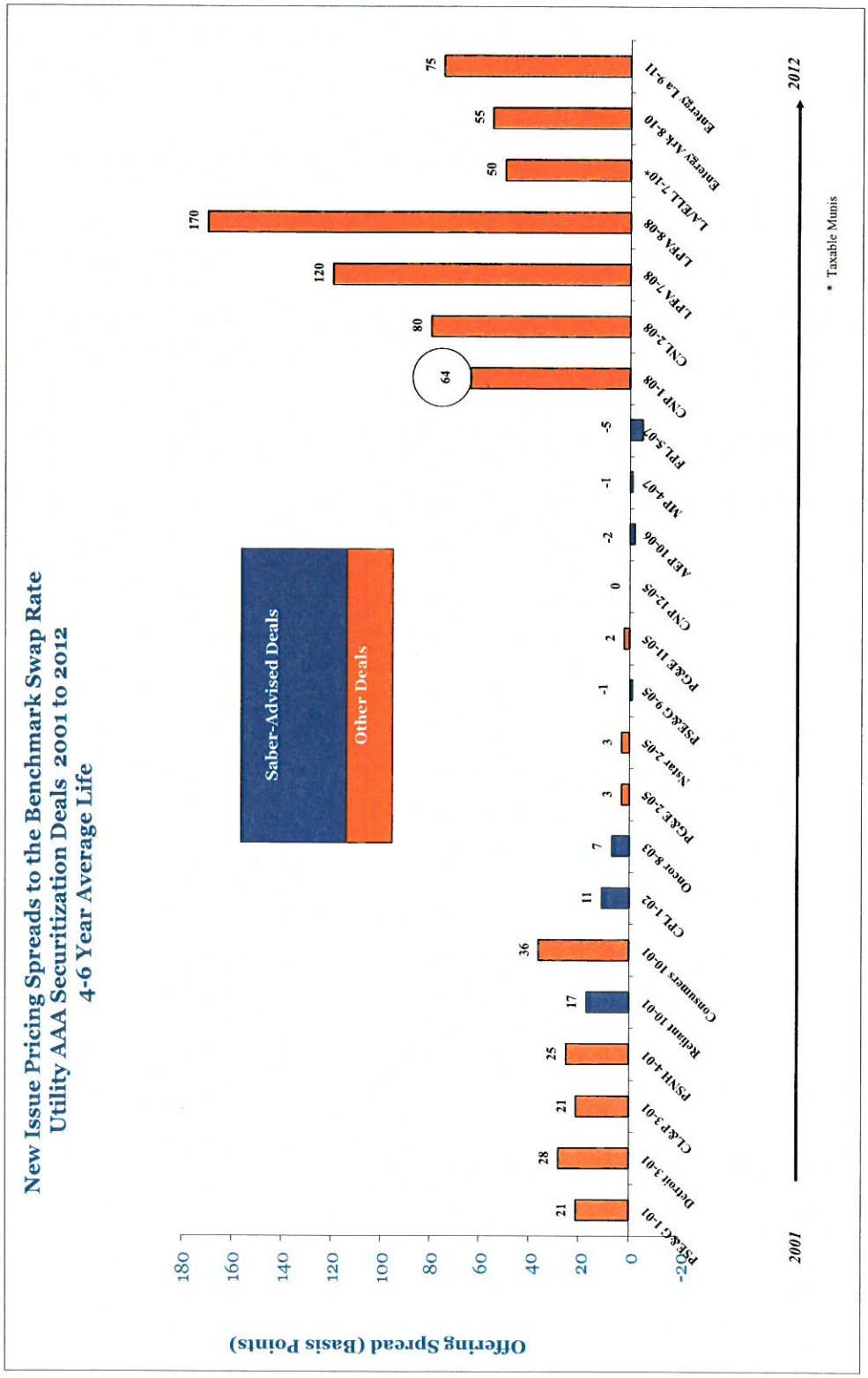
Docket No. 150171-EI
Witness: Sutherland
New Issue Pricing Spreads, 4-6 Year Average Life
Updated 9/9/15
Exhibit No. ____ (PS-3), Page 1 of 1



BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 150171-EI

ERRATA SHEET

WITNESS: **PAUL SUTHERLAND – STAFF**

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FLORIDA PUBLIC SERVICE COMMISSION
DOCKET: 150148-EI EXHIBIT: 54
PARTY: STAFF – (DIRECT)
DESCRIPTION: Paul Sutherland PS-4

PAGE NO.	LINE NO.	CHANGE
8	12-13	Change "See Exhibit No. ____ (PS-1a), attached to my testimony.)" to "See Exhibit Nos. ____ (PS-1a), ____ (PS-1b), and ____ (PS-1c), attached to my testimony."
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Exh. (PS-5)		Replace Exhibit with color version of same Exhibit
Exh. (PS-6)		Replace Exhibit with color version of same Exhibit
Exh. (PS-6a)		Replace Exhibit with color version of same Exhibit
Exh. (PS-7)		Replace Exhibit with color version of same Exhibit
Exh. (PS-7a)		Delete (Exhibit was inadvertently included)
Exh. (PS-8)		Delete (This is a duplicate of Shoenblum's Exhibit No. ___(HS-1))

PAGE NO.	**LINE NO.**	**CHANGE**
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Exh. (PS-10)		Replace Exhibit with color version of same Exhibit
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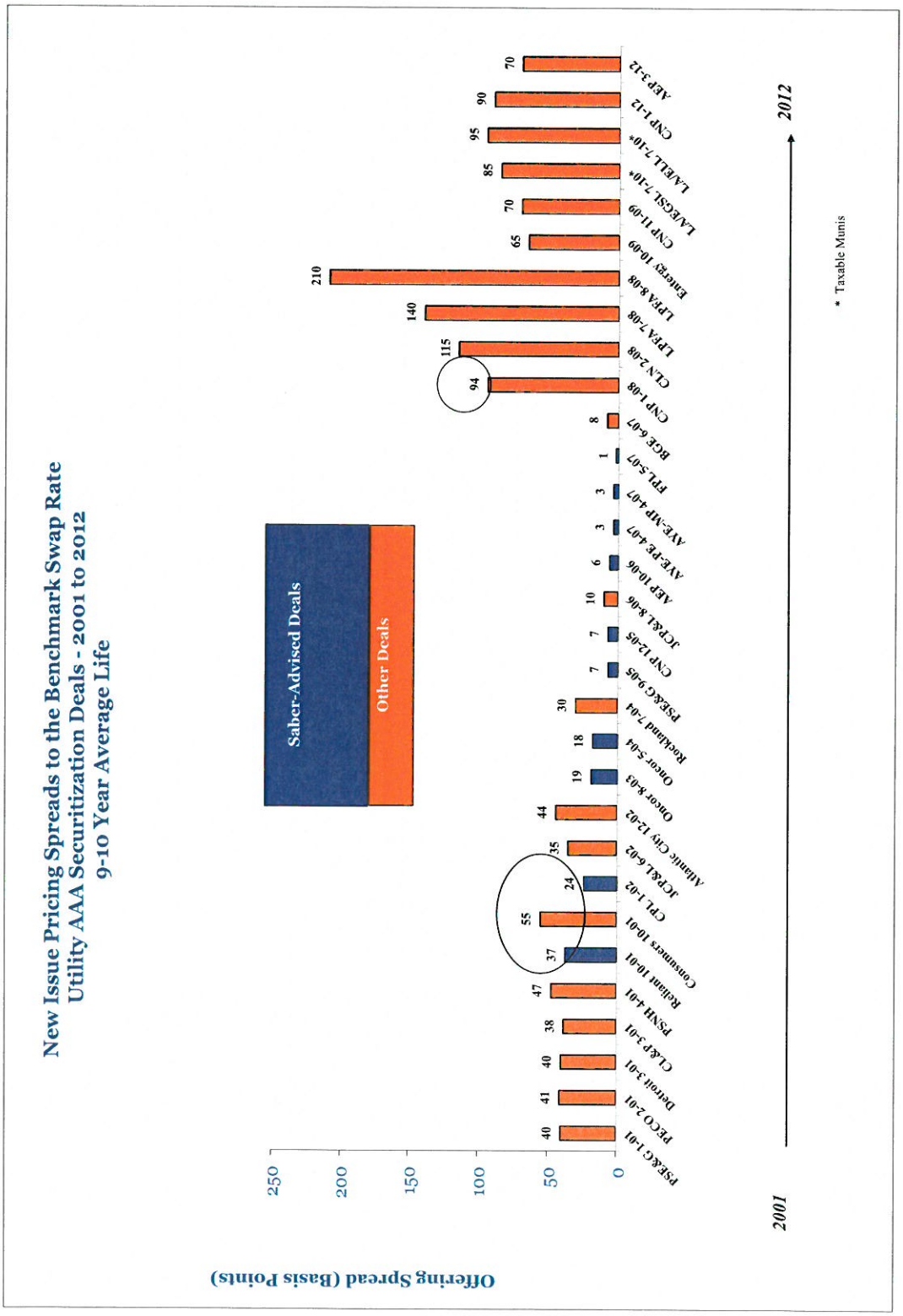
Exh. (PS-19)		Replace Exhibit with color version of same Exhibit
Exh. (PS-19a)		Add new Exhibit ____ (PS-19a)


New Issue Pricing Spreads to the Benchmark Swap Rate
Utility AAA Securitization Deals - 2001 to 2012
9-10 Year Average Life
Saber-Advised Deals
Other Deals
Offering Spread (Basis Points)
250
200
150
100
50
0
2001
2012
* Taxable Munis
PSE&G 1-01
PECO 2-01
Detroit 3-01
CL&P 3-01
PSNH 4-01
Reliant 10-01
Consumers 10-01
CPL 1-02
JCP&L 6-02
Atlantic City 12-02
Oncor 8-03
Oncor 5-04
Rockland 7-04
PSE&G 9-05
CNP 12-05
JCP&L 8-06
AEP 10-06
AVE-PE 4-07
AVE-MP 4-07
FPL 5-07
BGE 6-07
CNP 1-08
CLN 2-08
LPFA 7-08
LPFA 8-08
Entergy 10-09
CNP 11-09
LA/ECSL 7-10*
LA/ELL 7-10*
CNP 1-12
AEP 3-12
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19
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210
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 150171-EI

ERRATA SHEET

WITNESS: **PAUL SUTHERLAND – STAFF**

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FLORIDA PUBLIC SERVICE COMMISSION
DOCKET: 150148-EI EXHIBIT: 55
PARTY: STAFF – (DIRECT)
DESCRIPTION: Paul Sutherland PS-5

PAGE NO.	LINE NO.	CHANGE
8	12-13	Change "See Exhibit No. ____ (PS-1a), attached to my testimony.)" to "See Exhibit Nos. ____ (PS-1a), ____ (PS-1b), and ____ (PS-1c), attached to my testimony."
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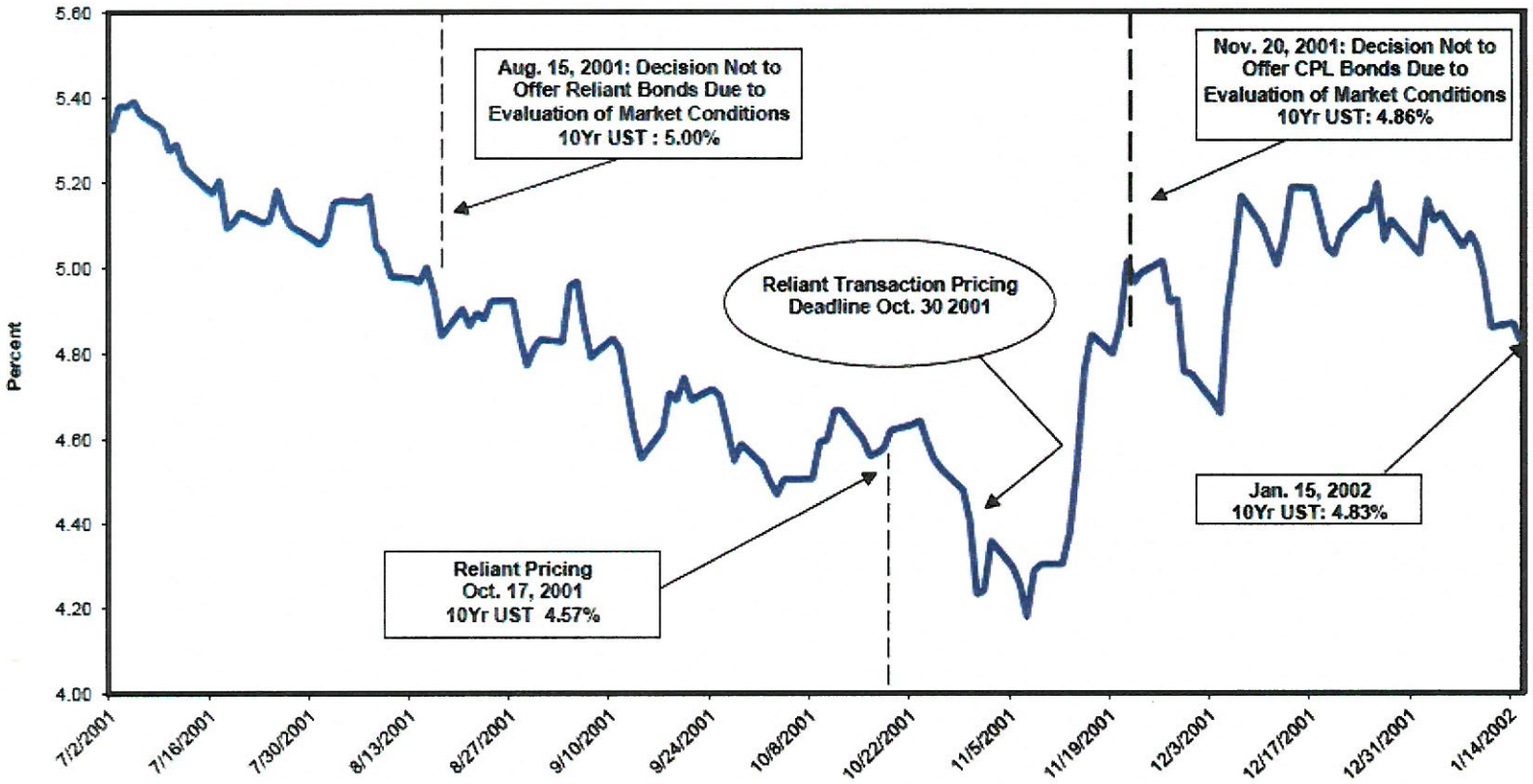
SABER PARTNERS, LLC
ADVISORS & INVESTORS
14 WALL STREET
NEW YORK, NY 10005
212 461-2370 FAX: 212 461-2371

TRANSACTION UPDATE

January 16, 2002

Docket No. 150171-EI
Witness: Sutherland
Excerpt from Independent Advisor Report
Updated 9/9/15
Exhibit No. ____ (PS-5), Page 1 of 13

10-Year US Treasury Yields



Source: Bear Steams; Bloomberg

Docket No. 150171-EI
Witness: Sutherland
Excerpt from Independent Advisor Report
Updated 9/9/15
Exhibit No. ____ (PS-5), Page 2 of 13

Reliant Energy Pricing Summary

Issuer: **Reliant Energy Transition Bond Company LLC**

Amount: **$749 million**

Pricing Date: **October 17, 2001**

Bond Ratings: **AAA/Aaa/AAA**

Class		Size (MM)	Average Life (yrs)	Benchmark Rate (%)	Spread Over Benchmark Rate (bps)	Yield (%)
A-1	$	115.00	2.71	3.683%	+16	3.843%
A-2	$	118.00	5.19	4.764%	+17	4.764%
A-3	$	130.00	7.19	5.169%	+22	5.169%
A-4	$	385.90	10.29	5.639%	+37	5.639%
Total	**$**	**748.90**				

As of pricing date, 5.639% Yield was lowest of all RRBs issued since 1997

Source: Bear Stearns

Landmark Pricing

- Reliant spreads to UST lowest of all 2001 RRB deals
- At 0 to 5 basis points, Salomon Brothers Research Dept. also notes "*[Reliant] achieved the tightest spreads relative to [credit card ABS]*"[1/]-- the most relevant RRB benchmark
- Careful market evaluation and judicious timing prevented "rush to market"

Decision to "time the market" estimated to have saved Reliant ratepayers approximately $8-10 million (PV)

1/ See Salomon Smith Barney, *Stranded Asset Securitization Roundup*, Jan. 9, 2002.

Source: Bear Stearns

Pricing Comparison
Reliant Energy vs. Consumers Power

- Spreads 15-20 basis points lower than comparable Consumers bonds priced just 3 weeks later:

Reliant Energy
Pricing Date: 10/17/01

Average Life (yrs)	Spread Over Benchmark (bps)
2.71	+16
5.19	+17
7.19	+22
10.29	+37

Consumers Power
Pricing Date: 11/8/01

Average Life (yrs)	Spread Over Benchmark (bps)
1	+30
3.00	+33
5.00	+36
7.00	+40
10.00	+55
12.85	+65

Approximate Reliant Savings (bps)
17
19
18
18

Compared to Consumers, narrower spreads saved Reliant ratepayers an additional estimated $7-9 million (PV)

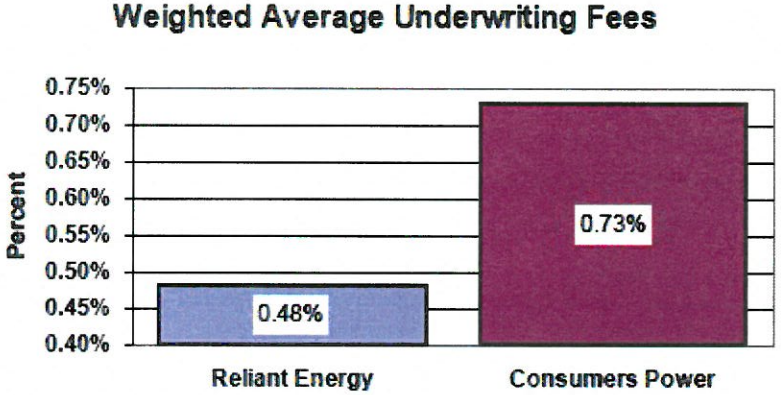
1/ Salomon Smith Barney, *Stranded Asset Securitization Roundup*, Jan. 9, 2002.

Source: Bear Stearns

Docket No. 150171-EI
Witness: Sutherland
Excerpt from Independent Advisor Report
Updated 9/9/15
Exhibit No. ____ (PS-5), Page 5 of 13

Substantial Underwriting Fee Savings
Reliant Energy vs. Consumers Power

- Reliant paid significantly lower underwriting discounts/commissions than Consumers -- only 0.48% versus 0.73% (on weighted average basis)



- Reliant also compares well to other 2001 RRB deals (See Appendix)
- Separate negotiations with each underwriter instrumental in keeping fees down

Source: Bear Stearns

Key Success Factors

- Strong continuing oversight:
  - Ensured all submitted costs complied with Commission "ceilings, not floors" directive
  - Optimized bond structure and credit enhancement to improve pricing
  - Coordinated strategic marketing plan -- competition among underwriters
  - Required lead underwriter to certify "lowest cost of funds" obtained
  - Continuing evaluation of market conditions enabled ratepayers to avoid weak markets and "rush to market" by underwriters/company regardless of cost

Key Success Factors (cont'd)

- Extensive marketing effort ensured strong investor competition
  - All classes sold to wide investor range
  - New investors brought to asset class
  - Secondary market trading remained strong
- Competitive selection of, and individual negotiations with, co-managers with RRB experience enabled more accurate price guidance, wider distribution and better execution

Key Concessions Secured by Commission/Saber To Protect Ratepayers

- **Underwriters**: Lead manager required to certify "lowest transition bond charges" in fact achieved
- **Reliant, as Servicer**:
  - Fee fixed at 0.05% of original principal amount; cannot retain transition charge "float"
  - Must use own resources to pay all servicing costs (including fees associated with legal challenges & other claims)
  - Cannot resign without prior Commission approval
- **Reliant**: Indemnify Commission for own negligence in all capacities
- **Commission:** Won right to disapprove any subsequent amendments to deal documents

Total value of ratepayer benefits from these changes could easily exceed $2-4 million over life of bonds

Docket No. 150171-EI
Witness: Sutherland
Excerpt from Independent Advisor Report
Updated 9/9/15
Exhibit No. ____ (PS-5), Page 9 of 13

CP&L
Consistent Approach to Achieve Similar Result

- Continuously evaluate market conditions – high volatility, uncertainty
  - Manage volatility and risk
  - Ensure comprehensive marketing plan to broaden competition among investors for the bonds
  - Bring new investors to the security
  - Oversee and negotiate with underwriters for lowest cost of funds
- Provide Commission with Saber's formal investment banking opinion confirming compliance with "lowest transition bond charges consistent with market conditions"

Selected Upcoming Data Releases

Monday	Tuesday	Wednesday	Thursday	Friday
		16-Jan CPI (Dec) Bus. Inventories (Nov) Ind. Production (Dec) Cap. Utilization (Dec)	17-Jan Housing Starts (Dec) Jobless Claims - 1/12	18-Jan
21-Jan HOLIDAY	22-Jan Leading Indicators (Dec)	23-Jan	24-Jan Jobless Claims - 1/17	25-Jan Existing Home Sales (Dec)
28-Jan New Home Sales (Dec)	29-Jan Cons. Confidence (Jan) FOMC Meeting	30-Jan GDP (Q4) FOMC Meeting	31-Jan Personal Income (Dec) Cons. Spending (Dec) Employment Costs (Q4) Jobless Claims - 1/17	1-Feb Unemployment Rate (Jan) Avg. Hrly. Earnings (Jan) ISM (NAPM) Index (Jan)

- Upcoming FOMC meeting is key economic pricing risk for ratepayers

Docket No. 150171-EI
Witness: Sutherland
Excerpt from Independent Advisor Report
Updated 9/9/15
Exhibit No. ____ (PS-5), Page 11 of 13

APPENDIX

2001 RRB Issuances

Transaction (Date)	Class		Size (MM)	Average Life	Benchmark Rate	Pricing Spread	Underwriting Discounts and Commissions
Reliant Energy Transition Bond Co. LLC	A-1	$	115.00	2.71	3.683%	+16	0.35000%
(10/18/01)	A-2	$	118.00	5.19	4.764%	+17	0.43000%
	A-3	$	130.00	7.19	5.169%	+22	0.49000%
	A-4	$	385.90	10.29	5.639%	+37	0.53500%
	Total	**$**	**748.90**			**Wtd. Average:**	**0.48224%**
Consumers Funding LLC, Series 2001-1	A-1	$	26.00	1.00	2.292%	+30	0.37000%
(11/8/2001)	A-2	$	84.00	3.00	3.483%	+33	0.46200%
	A-3	$	31.00	5.00	4.218%	+36	0.66200%
	A-4	$	95.00	7.00	4.610%	+40	0.78200%
	A-4	$	117.00	10.00	4.914%	+55	0.81700%
	A-6	$	115.59	12.85	5.148%	+65	0.89700%
	Total	**$**	**468.59**			**Wtd. Average:**	**0.73095%**
PSNH Funding LLC	A-1	$	75.21	1.09	4.402%	+20	0.20757%
(4/20/01)	A-2	$	214.65	5.04	5.531%	+25	0.37500%
	A-3	$	235.14	9.99	6.064%	+47	0.50000%
	Total	**$**	**525.00**			**Wtd. Average:**	**0.40700%**
CT RRB Transaction CL&P-1	A-1	$	224.86	1.16	4.741%	+15	0.30539%
(3/27/01)	A-2	$	255.06	3.16	5.238%	+16	0.34000%
	A-3	$	292.38	5.16	5.560%	+21	0.40000%
	A-4	$	287.91	7.02	3 MTH LIBOR	+31	0.43000%
	A-5	$	378.20	8.89	5.878%	+38	0.50000%
	Total	**$**	**1,438.40**			**Wtd. Average:**	**0.40687%**
Detroit Edison Securitization Funding LLC	A-1	$	124.54	1.49	5.041%	+14	0.35000%
(3/2/01)	A-2	$	179.04	3.26	5.343%	+17	0.40000%
	A-3	$	322.79	5.79	5.608%	+28	0.45000%
	A-4	$	406.72	8.79	5.792%	+40	0.50000%
	A-5	$	326.24	11.26	5.884%	+54	0.55000%
	A-6	$	390.67	13.26	5.952%	+67	0.62500%
	Total	**$**	**1,750.00**			**Wtd. Average:**	**0.50710%**
PSE&G Transition Funding LLC	A-1	$	105.25	1.00	5.337%	+12.5	0.35000%
(1/25/01)	A-2	$	368.98	2.90	5.611%	+16	0.40000%
	A-3	$	182.62	4.88	5.812%	+21	0.45000%
	A-4	$	496.61	7.02	3 MTH LIBOR	+30	0.50000%
	A-5	$	328.03	9.38	6.099%	+40	0.50000%
	A-6	$	453.56	11.39	6.161%	+50	0.55000%
	A-7	$	219.69	12.99	6.209%	+60	0.60000%
	A-8	$	370.26	14.27	6.247%	+70	0.65000%
	Total	**$**	**2,525.00**			**Wtd. Average:**	**0.51520%**

Source: Bear Stearns; Bloomberg

Soltas, Scott □□□□ □□□ □ ortgages□ □□□□ □□ □□□□□□□□ □onsumers □nergy □ricing

X-From_: SSoltas@exchange.ml.com Thu Nov 1 07:50:15 2001
X-Server-Uuid: 3789b954-9c4e-11d3-af68-0008c73b0911
From: "Soltas, Scott (CICG - NY Mortgages)" <SSoltas@exchange.ml.com>
To: "'jfichera@saberpartners.com'" <jfichera@saberpartners.com>
Subject: Consumers Energy Pricing
Date: Thu, 1 Nov 2001 07:47:27 -0500
X-Mailer: Internet Mail Service (5.5.2654.52)
X-WSS-ID: 17FF9B741128164-01-01

Joe -

I thought you might appreciate the final print on Consumers Energy. Judging by the timeline of initial price guidance, restructuring, and final pricing I'd have to assume that either (1) Consumers
was downgraded during the marketing process, (2) The RRB market widened out by 15 bps, or (3) MSDW does not have the marketing and distribution of the ML/GS/BS team, nor do they have Saber Partners
riding roughshod over the process. I'm pretty sure that the correct answer is (3).

As I recall, Reliant priced 3yrs at +16, 5yrs at +17, 7yrs at +22, and a whole lot more 10.29yrs at +37.

By the way, those spreads are still indicative of the Reliant RRB markets.

I feel even more comfortable signing that letter that says the rate payers got the best deal available in the market at that point in time now!

Congratulations on a great execution, again.

Best regards,

Scott

"Consumers Funding 2001-1" (Consumers Energy) $469mm rate reduction bond ABS has priced via Morgan Stanley.

	Size	Cl	Mdy/S&P/Ftch	Avg Life	Cpn	Price	Yld	Pxng Spread
-	$ 26mm	A-1	Aaa/AAA/AAA	1.0yrs	2.59%	99.99590	2.592%	+30bp/synth Li
-	$ 84	A-2	Aaa/AAA/AAA	3.0yrs	3.80	99.99182	3.813	swaps +33bp
-	$ 31	A-3	Aaa/AAA/AAA	5.0yrs	4.55	99.95901	4.578	swaps +36bp
-	$ 95	A-4	Aaa/AAA/AAA	7.0yrs	4.98	99.96793	5.010	swaps +40bp
-	$117	A-5	Aaa/AAA/AAA	10.0yrs	5.43	99.97673	5.464	swaps +55bp
-	$115.6	A-4	Aaa/AAA/AAA	12.8yrs	5.76	99.98053	5.798	swaps +65bp

Co-mgrs are BarCap, BOCM, JPM, Loop. Del Nov 8 flat.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 150171-EI

ERRATA SHEET

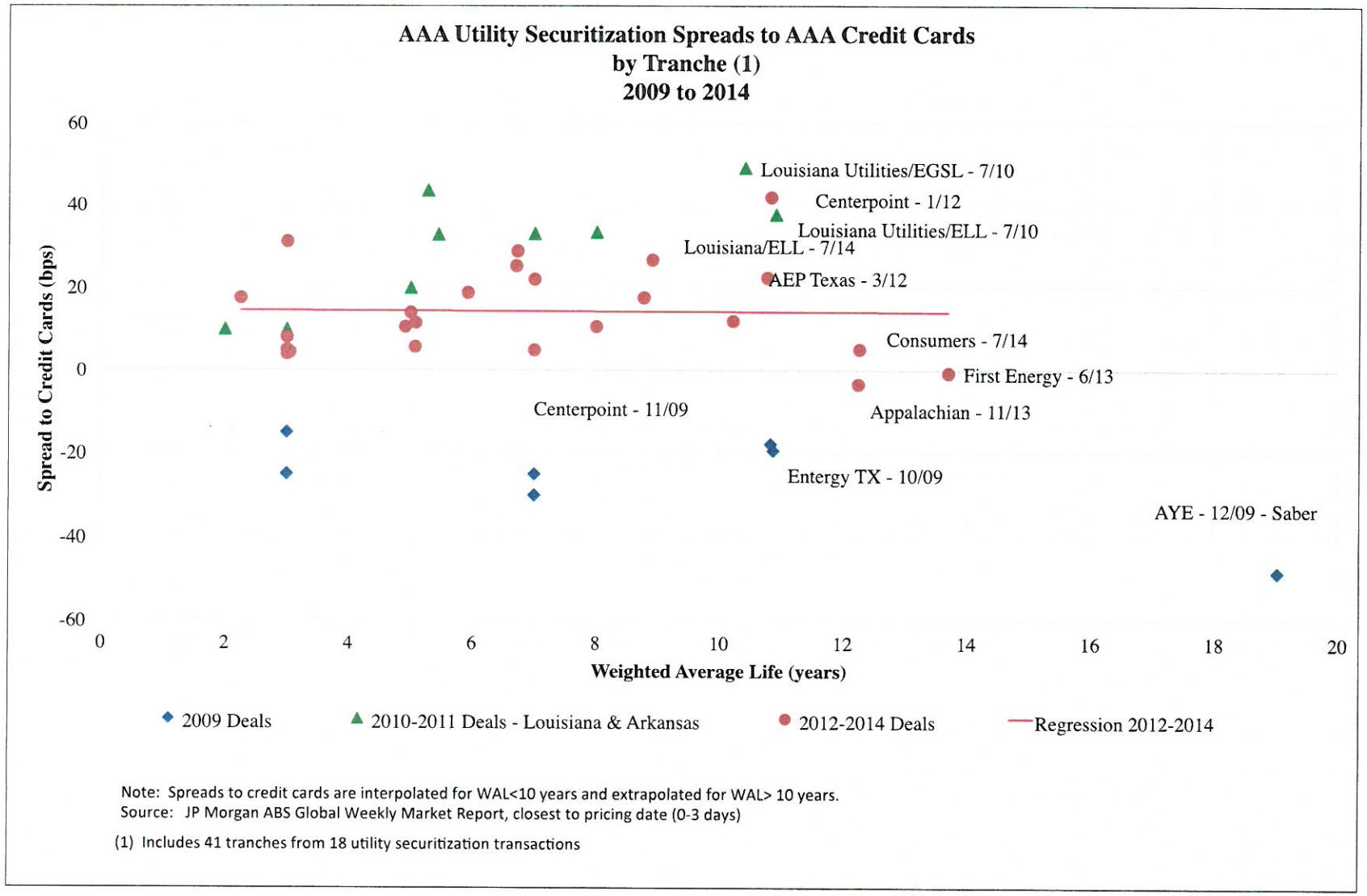
WITNESS: **PAUL SUTHERLAND – STAFF**

PAGE NO.	LINE NO.	CHANGE
3	23	Change "RRBs not ABS for Financial Reporting" to "Securitized Utility Property Not A Financial Asset;"
3	24	Change "Exhibit No. ____ (PS-1c), FASB ASC;" to "Exhibit No. ____ (PS-1b), Accountants Handbook;"
3	25	Change "Exhibit No. ____ (PS-1b), Accountants Handbook;" to "Exhibit No. ____ (PS-1c), FASB ASC;"
4	9	Delete line.
4	10	Delete line.
4	13	Change "Credit Spreads for Auto Loan ABS vs. Credit Card ABS;" to "Saber Partners Report – Analysis of Ohio Power Pricing;"
4	23	Change "2010 to Present; and" to "Spreads – Citigroup vs. J.P. Morgan;"
4	24	Change "Exhibit No. ____ (PS-20), Utility Securitization Transactions since 1997." To "Exhibit No. ____ (PS-19a), AEP Sidley MS Email; and"
4	25	Add ""Exhibit No. ____ (PS-20), Utility Securitization transactions since 1997."
8	11	Change "that securitized" to "that the property collateralizing the securitized"
8	11-12	Change "as" to "as 'financial assets,' and those bonds therefore should not be treated"

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET: 150148-EI EXHIBIT: 57
PARTY: STAFF – (DIRECT)
DESCRIPTION: Paul Sutherland PS-6

PAGE NO.	LINE NO.	CHANGE
8	12-13	Change "See Exhibit No. ____ (PS-1a), attached to my testimony.)" to "See Exhibit Nos. ____ (PS-1a), ____ (PS-1b), and ____ (PS-1c), attached to my testimony."
12	8	Change "formula, either" to "formula, usually either"
14	13	Delete "____ (PS-2)."
15	6	Delete "Please."
15	17	Delete "have been"
25	15	Change "period)" to "period, excluding the 2012 CenterPoint transaction)"
32	10	Change "(PS-12)." to "(PS-15)."
35	14	Delete "See my"
44	7	Change "(PS-19)," to "(PS-19a),"
Exh (PS-1)		Replace Exhibit with color version of same Exhibit
Exh. (PS-1a)	Title	Change to "Securitized Utility Property Not a Financial Asset"
Exh. (PS-1b)		Replace Exhibit with color version of same Exhibit
Exh. (PS-3)		Replace Exhibit with color version of same Exhibit
Exh. (PS-4)		Replace Exhibit with color version of same Exhibit
Exh. (PS-5)		Replace Exhibit with color version of same Exhibit
Exh. (PS-6)		Replace Exhibit with color version of same Exhibit
Exh. (PS-6a)		Replace Exhibit with color version of same Exhibit
Exh. (PS-7)		Replace Exhibit with color version of same Exhibit
Exh. (PS-7a)		Delete (Exhibit was inadvertently included)
Exh. (PS-8)		Delete (This is a duplicate of Shoenblum's Exhibit No. ___(HS-1))

PAGE NO.	**LINE NO.**	**CHANGE**
Exh. (PS-9)		Replace Exhibit with color version of same Exhibit
Exh. (PS-10)		Replace Exhibit with color version of same Exhibit
Exh. (PS-11)	Title	Change to "Saber Partners Report – Analysis of Ohio Power Pricing" and
Exh (PS-11)		Replace Exhibit with color version of same Exhibit.
Exh. (PS-12)		Replace Exhibit with color version of same Exhibit
Exh. (PS-13)		Replace Exhibit with color version of same Exhibit
Exh. (PS-14)		Replace Exhibit with color version of same Exhibit
Exh. (PS-17)		Replace Exhibit with color version of same Exhibit
Exh. (PS-17a)		Replace Exhibit with color version of same Exhibit
Exh. (PS-18)		Replace Exhibit with color version of same Exhibit
Exh. (PS-19)	Title	Change to "10-Year AAA Stranded Assets Spreads – Citigroup vs. J.P. Morgan" and
Exh. (PS-19)		Replace Exhibit with color version of same Exhibit
Exh. (PS-19a)		Add new Exhibit ____ (PS-19a)



Note: Spreads to credit cards are interpolated for WAL<10 years and extrapolated for WAL> 10 years.
Source: JP Morgan ABS Global Weekly Market Report, closest to pricing date (0-3 days)

(1) Includes 41 tranches from 18 utility securitization transactions

Docket No. 150171-EI
Witness: Sutherland
AAA Utility Securitization Spreads to AAA Credit Cards
Updated 9/9/15
Exhibit No. ___ (PS-6), Page 1 of 1

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 150171-EI

ERRATA SHEET

WITNESS: **PAUL SUTHERLAND – STAFF**

PAGE NO.	LINE NO.	CHANGE
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FLORIDA PUBLIC SERVICE COMMISSION
DOCKET: 150148-EI EXHIBIT: 58
PARTY: STAFF – (DIRECT)
DESCRIPTION: Paul Sutherland PS-6a

PAGE NO.	LINE NO.	CHANGE
8	12-13	Change "See Exhibit No. ____ (PS-1a), attached to my testimony.)" to "See Exhibit Nos. ____ (PS-1a), ____ (PS-1b), and ____ (PS-1c), attached to my testimony."
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Exh. (PS-1a)	Title	Change to "Securitized Utility Property Not a Financial Asset"
Exh. (PS-1b)		Replace Exhibit with color version of same Exhibit
Exh. (PS-3)		Replace Exhibit with color version of same Exhibit
Exh. (PS-4)		Replace Exhibit with color version of same Exhibit
Exh. (PS-5)		Replace Exhibit with color version of same Exhibit
Exh. (PS-6)		Replace Exhibit with color version of same Exhibit
Exh. (PS-6a)		Replace Exhibit with color version of same Exhibit
Exh. (PS-7)		Replace Exhibit with color version of same Exhibit
Exh. (PS-7a)		Delete (Exhibit was inadvertently included)
Exh. (PS-8)		Delete (This is a duplicate of Shoenblum's Exhibit No. ___(HS-1))

PAGE NO.	**LINE NO.**	**CHANGE**
Exh. (PS-9)		Replace Exhibit with color version of same Exhibit
Exh. (PS-10)		Replace Exhibit with color version of same Exhibit
Exh. (PS-11)	Title	Change to "Saber Partners Report – Analysis of Ohio Power Pricing" and
Exh (PS-11)		Replace Exhibit with color version of same Exhibit.
Exh. (PS-12)		Replace Exhibit with color version of same Exhibit
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Exh. (PS-14)		Replace Exhibit with color version of same Exhibit
Exh. (PS-17)		Replace Exhibit with color version of same Exhibit
Exh. (PS-17a)		Replace Exhibit with color version of same Exhibit
Exh. (PS-18)		Replace Exhibit with color version of same Exhibit
Exh. (PS-19)	Title	Change to "10-Year AAA Stranded Assets Spreads – Citigroup vs. J.P. Morgan" and
Exh. (PS-19)		Replace Exhibit with color version of same Exhibit
Exh. (PS-19a)		Add new Exhibit ____ (PS-19a)

Docket No. 150171-EI
Witness: Sutherland
Wells Fargo Research Report
Updated 9/9/15
Exhibit No. ____ (PS-6a), 1 of 12

July 17, 2013

Structured Products Research

Consumer ABS Research

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ABSolute Value: Rate Reduction Bond ABS Primer
An Overview of Utility Receivables Securitization

Executive Summary

- Securitizations of utility receivables have been known by several names: stranded-asset, rate-reduction and storm-recovery bonds. The market convention is to refer to all bonds in this sector as rate-reduction bonds or RRBs. We follow that convention in this report, which surveys the structural features of and conditions in the market for RRBs.
- RRBs are securitizations backed by the future collections of special charges applied to electric utility bills. The amount of the collection is based on power usage, which can vary from year to year based on weather or economic conditions.
- The bonds issued in this sector are structured with robust legal and regulatory protections to mitigate the potential political risks that may stem from the introduction of the utility tariff on ratepayer bills.
- Internal credit enhancement tends to be relatively low compared to benchmark consumer ABS due to these legal safeguards as well as the presence of the "true-up mechanism." This procedure allows the utility tariff to be adjusted, either up or down, in the event that tariff collections are significantly different than what would be needed to meet the scheduled amortization of the bonds. It has been used successfully in several cases.
- RRB issuance has been relatively light in recent years, although outstanding bonds stood at $11.3 billion as of Q2 2013 due to the relatively long average lives of the bonds. RRBs repay principal based on a scheduled amortization, which limits the prepayment risk and may make payments quarterly or semiannually, similar to corporate bonds.
- RRBs have similarities to secured utility bonds, such as first-mortgage bonds, and have found an audience from corporate crossover buyers, in our opinion. However, RRBs have significant legal and regulatory protections not normally found in corporate bonds.
- In our opinion, RRBs offer some of the best relative value in the consumer ABS market for the credit risk taken. Spreads of rate-reduction bond ABS have remained relatively wide throughout the post-crisis period. RRB spreads that trade at +4 bps or more to benchmark credit card ABS represent better relative value opportunities, in our opinion.

Table of Contents

Utility Receivables – What's in a Name?

Rate-reduction bond ABS are securitizations backed by the future collections of special charges applied to electric utility bills. The amount of the collection is based on power usage. These utility receivables deals have been identified by different names since first coming on the ABS scene in 1997. The earliest deals were called "stranded assets" because the charges applied to ratepayer bills were meant to defray the costs of nuclear power plants that would no longer be economic in a deregulated power-generation market. The investments were economically "stranded" under the previous regulatory regime and could not be recovered under ordinary market conditions.

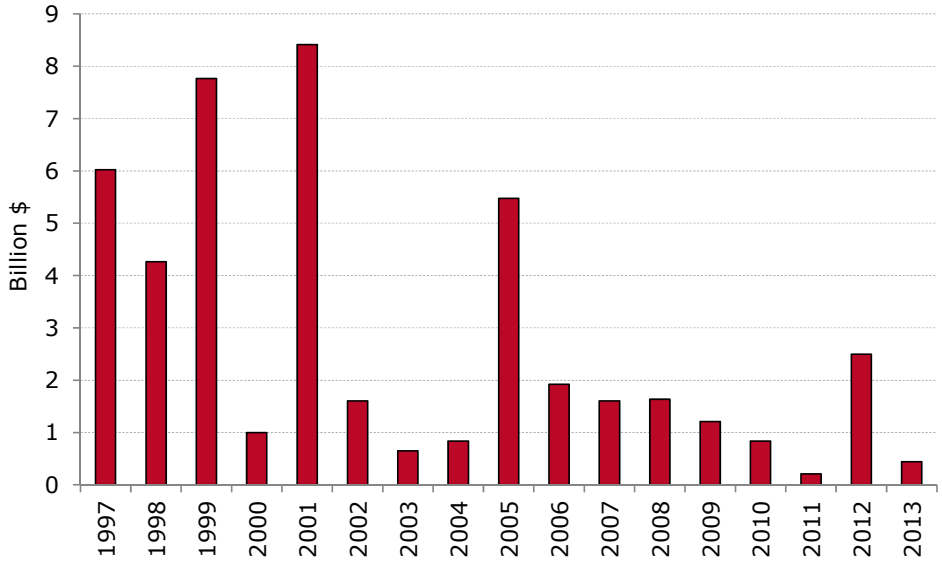
Later deals were termed "rate-reduction" bonds because electric utilities were allowed to recover the costs of certain infrastructure investments and, in turn, pass along lower utility rates to customers. Again, a deregulated power-generation market was intended to bring lower costs to end users. More recent deals have been christened "storm-recovery" bonds because utilities in various states have been allowed to apply a surcharge to bills to help pay for reconstruction and repairs to power networks damaged by hurricanes or other storms.

Despite the different names and reasons for implementation of the utility tariffs, the structural features and credit protections are generally the same. The market convention is to refer to all bonds in this sector *rate-reduction bonds*, or RRBs. We follow that convention in this report, which surveys the structural features of and conditions in the market for RRBs.

Issuance and Outstanding

The amount of RRB issuance in the early years was substantial, and many market participants expected considerable upside from the sector. Indeed, $27.5 billion of RRBs were issued in the five years from 1997–2001. However, in the following 12 years, including YTD 2013, the market has averaged just $1.6 billion per year, and only 2005 exceeded $5 billion (Exhibit 1). RRBs have become a smaller niche sector than many would have anticipated, but we believe RRBs offer certain characteristics that may not be found in other ABS sectors.

Exhibit 1: Rate Reduction Bond ABS Issuance

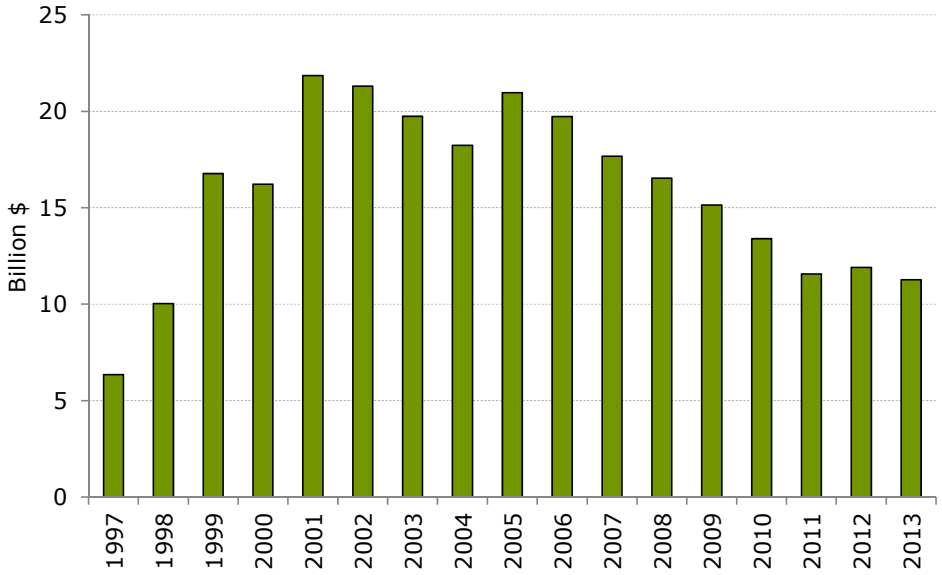


Source: Asset-Backed Alert, Bloomberg, Wells Fargo Securities, LLC.

RRBs repay principal based on a scheduled amortization, which limits the prepayment risk found in many other ABS backed by consumer receivables. Furthermore, the bonds may pay interest and principal quarterly or semiannually, similar to corporate bonds. This feature is one reason that RRBs have found an audience from corporate crossover buyers, in our opinion. RRBs have similarities to secured utility bonds such as first-mortgage bonds.

However, RRBs have significant legal and regulatory protections not normally found in a secured corporate bond. In addition, RRBs, in most cases, offer longer average lives than the typical auto or credit card ABS, with many bonds reaching seven years or more. Bonds with average lives of 10 years or more are not unusual. The longer average lives, combined with fixed-rate coupons offer ABS investors access to longer duration bonds.

Exhibit 2: RRB ABS Outstanding



Source: SIFMA.

Those longer principal windows and average lives are the reasons that the amount of RRBs outstanding is much higher than might have been expected given the dearth of new-issue volume over the past few years. Total RRBs outstanding fell to the $11 billion–$12 billion range from 2011–2013 from the most recent peak of $21 billion in 2005 (Exhibit 2). The RRB sector accounted for about 2% of total consumer ABS outstanding as of Q2 2013. A modest amount of issuance should keep the amount of ABS backed by utility receivables stable.

However, it can be difficult to forecast new-issue volume of RRBs because of the long legislative and regulatory lead times required to complete these deals. The utilities may also find it more advantageous to issue corporate debt instead of ABS. The history of RRB deals and their utility sponsors are listed in Exhibit 3. Deal sizes averaged approximately $1.1 billion from 1997–2005, but declined to $575 million after 2005. This average amount was boosted by two deals that weighed in at $1.7 billion each. Excluding those two deals, the average deal size since 2005 has been $433 million.

Exhibit 3: Rate Reduction Bond ABS Deals and Utility Sponsors

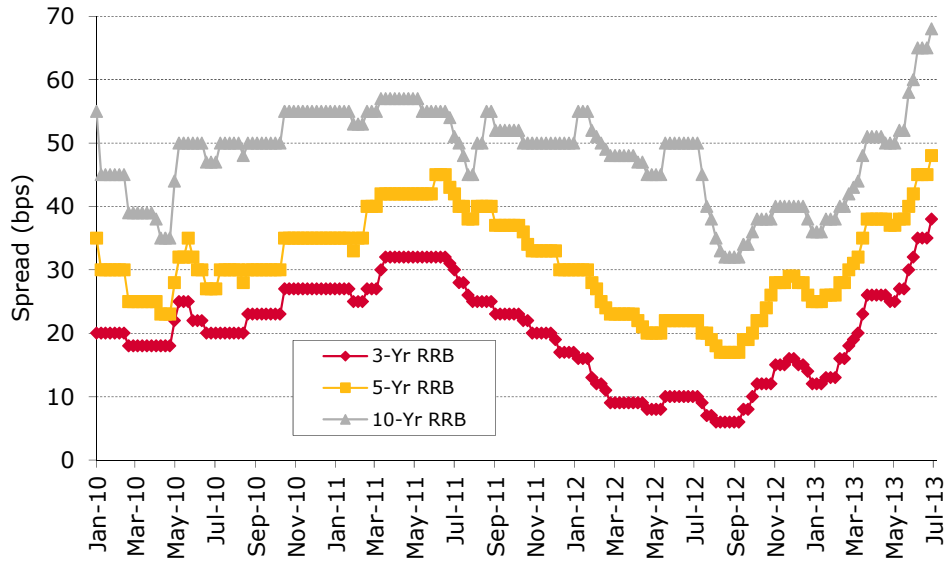
Deal Name	Pricing Date	Original Balance (MM$)	Trust Name	Utility Sponsor
CIPGE 1997-1	11/25/97	2,901	California Infrastructure PG&E	Pacific Gas and Electric Company
CISDG 1997-1	12/4/97	658	California Infrastructure SDG&E	San Diego Gas and Electric Company
CISCE 1997-1	12/4/97	2,463	California Infrastructure SCE	Southern California Edison Company
COMED 1998-1	12/7/98	3,400	COMED Transitional Funding Trust	Commonwealth Edison Company
IPSPT 1998-1	12/10/98	864	Illinois Power Special Purpose Trust	Illinois Power Company
PECO 1999-A	3/18/99	4,000	Peco Energy Transition Trust	Peco Energy Company
SPPC 1999-1	3/30/99	24	Sierra Pacific Power Company	Sierra Pacific Power Company
BECO 1999-1	7/14/99	725	Massachusetts RRB Special Purpose Trust	Boston Edison Company
PPL 1999-1	7/29/99	2,420	PP&L Transition Bond Company LLC	PPL Electric Utilities Corp.
WPP 1999-A	11/3/99	600	West Penn Funding LLC Transition Bonds	West Penn Power
PECO 2000-A	4/27/00	1,000	Peco Energy Transition Trust	Peco Energy Company
PEGTF 2001-1	1/25/01	2,525	PSE&G Transition Funding LLC	Public Service Electric & Gas Co.
PECO 2001-A	2/15/01	805	Peco Energy Transition Trust	Peco Energy Co
DESF 2001-1	3/2/01	1,750	Detroit Edison Securitization Funding LLC	Detriot Edison Company
CTRRB 2001-1	3/27/01	1,438	Connecticut RRB Special Purpose Trust	Connecticut Light & Power
PSNH 2001-1	4/20/01	525	Public Service New Hampshire Funding LLC	Public Service Company of New Hampshire
WMECO 2001-1	5/14/01	155	Massachusetts RRB Special Purpose Trust	Western Massachusetts Electric Company
CNP 2001-1	10/17/01	749	CenterPoint Energy Transition Bond Company IV	CenterPoint Energy Houston Electric LLC
CONFD 2001-1	10/31/01	469	Consumers Funding LLC	Consumers Energy Co
PSNH 2002-1	1/16/02	50	Public Service New Hampshire Funding LLC	Public Service Company of New Hampshire
AEPTC 2002-1	1/31/02	797	AEP Texas Central Transition Funding	Central Power and Light Company
JCPL 2002-A	6/4/02	320	JCP&L Transition Funding LLC	Jersey Central Power & Light
ACETF 2002-1	12/11/02	440	Atlantic City Electric Transition Funding LLC	Atlantic City Electric Company
ONCOR 2003-1	8/14/03	500	Oncor Electric Delivery Transition Bond LLC	Oncor Electric Delivery Co.
ACETF 2003-1	12/18/03	152	Atlantic City Electric Transition Funding LLC	Atlantic City Electric Company
ONCOR 2004-1	5/28/04	790	Oncor Electric Delivery Transition Bond LLC	Oncor Electric Delivery Co.
RCTF 2004-1A	7/28/04	46	Rockland Electric Co Transition Funding LLC	Orange and Rockland Utilities, Inc.
PERF 2005-1	2/3/05	1,888	PG&E Energy Recovery Funding LLC	Pacific Gas & Electric Co.
BECO 2005-1	2/15/05	675	Massachusetts RRB Special Purpose Trust	Boston Edison Co.; Commonwealth Electric Co.
PEGTF 2005-1	9/9/05	103	PSE&G Transition Funding LLC	Public Service Electric and Gas Co.
WPP 2005-A	9/22/05	115	West Penn Funding LLC Transition Bonds	West Penn Power
PERF 2005-2	11/9/05	844	PG&E Energy Recovery Funding L	Pacific Gas & Electric Co
CNP 2005-A	12/9/05	1,851	CenterPoint Energy Transition Bond Company IV	CenterPoint Energy
JCPL 2006-A	8/4/06	182	JCP&L Transition Funding LLC	Jersey Central Power & Light
AEPTC 2006-A	9/26/06	1,740	AEP Texas Central Transition Funding	AEP Texas Central Co.
FPL 2007-A	5/17/07	652	FPL Recovery Funding LLC	Florida Power & Light Co
EGSI 2007-A	6/22/07	330	Entergy Gulf States Reconstruction Funding LLC	Entergy Texas Inc
RSBBC 2007-A	6/29/07	623	RSB Bondco LLC	Baltimore Gas & Electric Co
CNP 2008-A	1/29/08	488	CenterPoint Energy Transition Bond Company IV	CenterPoint Energy
CLECO 2008-A	2/28/08	181	Cleco Katrina/Rita Hurricane Recovery Funding LLC	Cleco Power LLC
LPFA 2008-ELL	7/22/08	688	Louisiana Utilities Restoration Corp./ELL	Entergy Louisiana LLC
LPFA 2008-EGSL	8/20/08	278	Louisiana Utilities Restoration Corp./EGSL	Entergy Gulf States Louisiana
ETI 2009-A	10/29/09	546	Entergy Texas Restoration Funding LLC	Entergy Texas Inc
CNP 2009-1	11/18/09	665	CenterPoint Energy Transition Bond Company IV	CenterPoint Energy
LCDA 2010-EGSL	7/16/10	244	Louisiana Local Gov't Environmental Facilities and Community Development Authority	Entergy Gulf States Louisiana
LCDA 2010-ELL	7/16/10	469	Louisiana Local Gov't Environmental Facilities and Community Development Authority	Entergy Louisiana LLC
EAI 2010-A	8/11/10	124	Entergy Arkansas Restoration F	Entergy Arkansas Inc
ELL 2011-A	9/15/11	207	Entergy Louisiana Investment R	Entergy Louisiana LLC
CNP 2012-1	1/11/12	1,695	CenterPoint Energy Transition Bond Company IV	CenterPoint Energy
AEPTC 2012-1	3/7/12	800	AEP Texas Central Transition Funding	AEP Texas Central Co.
FEOH 2013-1	6/12/13	445	FirstEnergy Ohio PIRB Special Purpose Trust	FirstEnergy Corp.

Source: Asset-Backed Alert, Bloomberg, Wells Fargo Securities, LLC.

Relative Value Analysis to Benchmark Cards

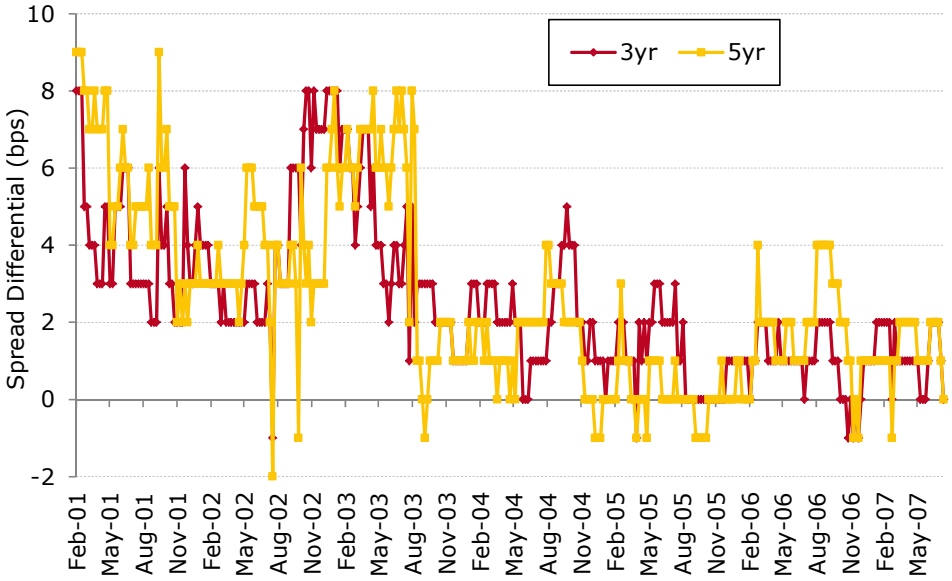
Spreads of rate-reduction bond ABS have remained relatively wide throughout the post-crisis period and have exhibited some wide swings over the past few years. Since hitting their post-crisis lows in September 2012, spreads have widened by about 30 bps through July 12, 2013 (Exhibit 4). We believe that this trend has been influenced by a general widening of spreads in the ABS market during 2012, and increased volatility brought on by the market's reaction to Federal Reserve policy communications. In our opinion, RRBs offer some of the best relative value in the consumer ABS market for the credit risk taken.

Exhibit 4: RRB Spreads



Source: Wells Fargo Securities, LLC.

Exhibit 5: RRB / Credit Card ABS Spread Differential – 2001-2007

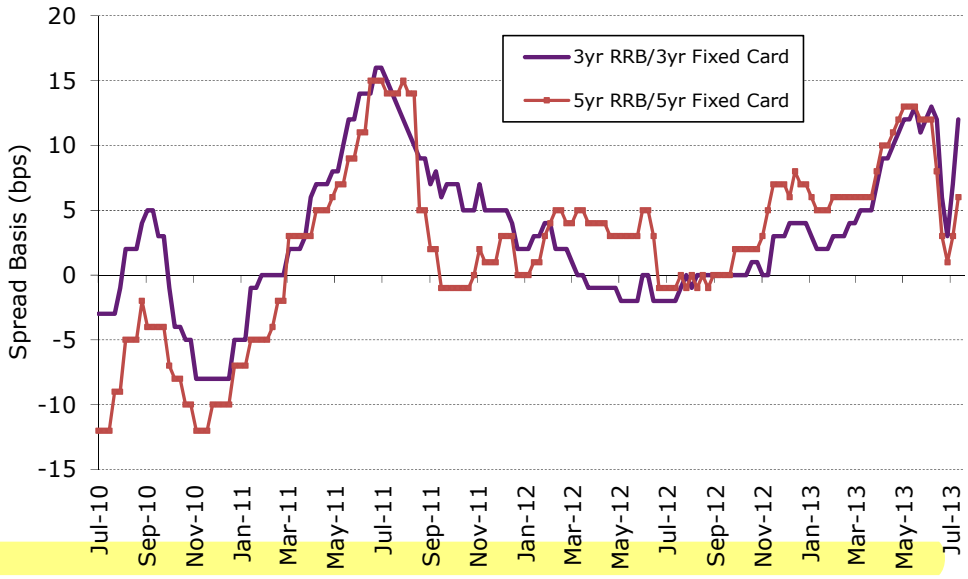


Source: Wells Fargo Securities, LLC.

Wells Fargo Securities has collected generic spreads on the RRB sector back to 2001. In our opinion, assessing relative value in rate-reduction bond ABS can be best accomplished by reviewing the spread differential between RRBs and benchmark credit card ABS. This relationship from 2001 to just before the market dislocation in July 2007 is charted in Exhibit 5. The average weekly difference was +4 bps to +6 bps, depending on the tenor of the bonds from 2001 to June 2003. However, the range of the spread differential was a wider +2 bps to +9 bps for three-year and five-year average life bonds.

After June 2003, the spread differential narrowed to an average weekly level of just about +1 bp, and this difference was stable across the benchmark tenors in RRBs (three-year, five-year and 10-year average lives). We believe that an increase in the amount of bonds outstanding and the number of issuers, as well as increasing investor acceptance, helped push the spread differential tighter. The week-to-week variability was relatively low, and this pattern was consistent with the benchmark auto and credit card ABS sectors. It indicated a meaningful increase in transparency and liquidity, in our view.

Exhibit 6: RRB / Credit Card ABS Spread Differential – 2010-2013



Source: Wells Fargo Securities, LLC.

RRBs traded well inside credit card ABS during the depths of the financial crisis in late 2008 and early 2009 (spreads 200 bps–300 bps inside) because investors placed a higher risk premium on large commercial banks and their credit card portfolios during this period. However, it took almost another two years for the spread relationship to normalize by early 2011.

The average weekly spread differential has returned to pre-crisis levels of +2 bps to +3 bps from July 2010 to July 2013. The average is closer to +4 bps, though, if all of 2010 is excluded. Nevertheless, secondary trading levels for RRBs have experienced large excursions away from this long-run average level, and these excursions have had a tendency to persist for a number of weeks.

We view RRB spreads trading at +4 bps or more to benchmark credit card ABS as representing better relative value. In general, RRBs involve less credit risk than credit card ABS, although the smaller size of the RRB sector, wider principal payment windows and somewhat less transparency due to the regulatory nature of the collateral require some spread concession, in our view.

Structural Considerations

Unlike most asset-backed securities, rate-reduction bond ABS are characterized primarily by their legal and regulatory framework. To a large extent, the credit analysis of the underlying obligors, which are the ratepayers in the utility's service area, is a secondary consideration, in our view. The securitization structure of most RRBs is relatively straightforward. The utility would transfer its ownership of the utility charges to a bankruptcy-remote special purpose vehicle (SPV) that would issue the ABS to investors.

The ABS may be issued as a single pass-through security, or there may be several tranches of bonds issued that pay in sequential order. Principal is repaid according to a scheduled amortization that would be consistent with the forecast for power usage and cash flows. Interest payments may be made quarterly or semiannually. The cash flows are stressed in the rating process to determine how much forecast error the deal can withstand and still make payments to investors in a timely manner.

Credit enhancement is provided, in most cases, by a small amount (generally 0.5%–1%) of overcollateralization, reserve fund, or some form of capital account to provide liquidity in the event of short-run cash flow shortfalls. However, the primary form of credit enhancement is a regulatory-mandated "true-up mechanism" that can adjust the amount of the utility tariff charged to the customer. The robust legal and regulatory nature of the true-up mechanism, along with the fundamental character of power usage, allows for the relatively low level of internal credit enhancement in RRBs.

A Regulatory Future Flow Receivable

One of the key considerations in the RRB sector is that the asset securitized is a future flow rather than an existing loan or receivable. The utility tariff is established by a law passed by a state legislature and further put into practice by a financing order from the state's utility regulators. The charge added to the utility bill is established as a property right of the utility that can be transferred or sold and pledged as a security interest similar to other kinds of receivables securitized in the ABS market.

In the event that a utility is subject to a merger or files for bankruptcy, the order to collect the utility tariff remains in place with the successor utility. This provision helps avoid any disruption in billing and collections of the tariff and, therefore, for bondholders. Although the utility has a target amount to be raised from the utility tariff, the periodic amount of the cash flows can only be estimated at origination based on the expectations for usage. Actual utility usage and cash flows may deviate from the forecast amount.

Irrevocability and State Pledge

One of the key legal features of an RRB is that the utility tariff is *irrevocable*. As noted above, the receivables have been created by legal and regulatory actions and are collected over time based on electricity usage. The receivable does not already exist, unlike an auto loan or lease. There is a risk that a future legislature or regulator could act to alter or rescind the utility tariff. In order to mitigate this risk, there is irrevocability language inserted in the legislation to prevent the impairment of the value of the utility tariff without adequate compensation.

The RRBs are not obligations of the state, nor do they carry the full faith and credit of any government or agency. However, the legislation creating the utility tariffs will generally contain a *state pledge* not to limit, alter, or impair the property rights created. There may be challenges from other constituencies over time that oppose the creation of the utility tariff, either through new legislation or ballot initiatives. The state pledges not to make any changes to the law or regulatory environment until the bonds are paid in full to mitigate the potential political risks to an asset created through the political process.

Non-bypassability
The utility receivables generated would be collected based on a customer's usage and the fact that the customer is connected to the utility's deliver system. This delivery, or network, charge should not be avoided, or bypassed, just because a customer contracts with another generator of the power. The utility can collect the charges from existing customers as well as future customers from its service area.

In some states or markets, third-party energy providers may be allowed by regulators to bill customers directly. In these cases, the tariff is collected by the third-party provider and the charges are passed along to the utility. Customers can reduce their exposure to the charge by using less power, or by disconnecting from the service grid entirely. However, they should not be able to avoid paying the utility tariff as long as they are connected to the utility's network.

Bankruptcy Remoteness
Like other types of securitized assets , the utility tariff is established as a property right that can be sold or transferred to another party. The right to the future receivables is sold by the utility to a bankruptcy-remote special purpose vehicle (SPV), which is the issuer of the ABS. This "true sale" of the receivables to the SPV should isolate the payments from being consolidated with the utility in the event that it files for bankruptcy.

The transfer of the utility tariff is a sale, not a pledge or a secured financing. Legal counsel would normally provide a nonconsolidation opinion that a bankruptcy court would not consolidate the SPV with the bankruptcy estate of the utility. This bankruptcy-remote nature of ABS is the standard in the market to provide a separation between the ABS and any potential bankruptcy of the seller/servicer.

True-Up Mechanism
The key credit enhancement feature of RRB deals is the true-up mechanism. This procedure allows the utility tariff to be adjusted, either up or down, in the event that tariff collections are significantly different than what would be needed to meet the scheduled amortization of the bonds, including any fees and replacement of credit-enhancement reserves. The true-up can occur at least annually, as needed, but some deals allow for more frequent changes in the charges, such as semiannually. Regulators cannot alter the true-up, nor do they need to approve its use.

The strength of the legal and structural safeguards, along with the robust nature of the protection provided by the true-up mechanism, affords substantial credit enhancement for ABS investors. Indeed, Fitch Ratings indicated in its "Outlook and Performance Review for U.S. Utility Tariff ABS" (Feb. 1, 2013) that several RRB transactions have successfully used their true-up mechanisms to offset revenue shortfalls.

Weather-related variations in collections have occurred due to system outages from hurricane damage and warmer-than-normal winter temperatures. In addition, six transactions suffered shortfalls from 2008–2010 due to the recession's effects on customers reducing their power usage. Some were residential customers trying to save on monthly expenses, wheras others were commercial and industrial customers cutting production or going out of business, according to the Fitch Ratings report.

Credit Analysis

When rating a new RRB deal and determining the potential variability in cash flows, the rating agencies typically perform a credit analysis of the utility and the service area that is subject to the utility tariff. The major areas of inquiry include the energy usage level and trends of the customer base and its composition, the size of the tariff in relation to the entire utility bill, customer

delinquency and loss trends, national and local economic factors affecting energy usage, and seasonality due to weather conditions.

The rating agencies incorporate various stresses in their cash-flow models to take account of forecast errors or variations in usage based on changing credit conditions. Although the credit analysis of the utility, its customer base and servicer area are important, they tend to take a position of secondary importance, in our opinion, to the legal and regulatory structure of the utility tariffs and the ability to true-up the charges when collections vary from the forecast.

Customer Base

A utility's customer base typically can be divided into four segments: Residential, Commercial, Industrial, and Government. The most important segments tend to be Residential and Commercial/Industrial. Most service areas have a low concentration of government obligor exposure, although some areas may include state or federal government offices or military bases.

Residential customers offer the most diversification because each household is just a small portion of the overall pool of residential customers. They should also represent the most stable cash flows because households (and smaller commercial customers) tend to be less sensitive to economic cycles in their power usage. It could be assumed that new residents would replace those who move away, providing additional long-run stability. However, reduced demand for housing during recessions may present a potential risk to power usage and the generation of cash flows backing the RRBs.

Commercial and industrial customers are likely to be more concentrated as a group, and the size of individual firms could mean an increase in risk to cash flows in the event of reduced usage from less production, self-generation of power, or the possibility of ceasing business in that service area. For that reason, the rating agencies analyze the power-usage patterns of areas with cyclical industries and emphasize periods of recession in their analysis. This process provides an estimate of the potential variability of cash flows from the amortization schedule of the bonds.

Usage Patterns and Seasonality

Residential and smaller commercial customers normally show greater changes in power usage due to changes in weather patterns. An unusually hot summer or colder-than-normal winter would likely drive power demand higher, and these seasonal patterns tend to be more important for short-run variations in power usage. In the long run, conservation measures, increased use of energy-efficient appliances and technological advances are more likely to play a role in energy-usage patterns. Larger commercial and industrial customers would also be affected by these weather-related and technological advances, although in the near term, they tend to be affected more by fluctuations in economic activity.

Size of Utility Tariff

The rating agencies also consider the size of the utility tariff relative to the overall customer bill. This relationship becomes more important if the true-up mechanism must be used to increase the charge due to variability in the receivables generated. An increase in the overall price of power could be large enough to reduce demand for power if the tariff is a relatively large portion of the bill. This incentive may become particularly intense for larger industrial customers who have more energy alternatives.

DISCLOSURE APPENDIX

Additional information is available on request.

This report was prepared by Wells Fargo Securities, LLC.

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 150171-EI

ERRATA SHEET

WITNESS: **PAUL SUTHERLAND – STAFF**

PAGE NO.	LINE NO.	CHANGE
3	23	Change "RRBs not ABS for Financial Reporting" to "Securitized Utility Property Not A Financial Asset;"
3	24	Change "Exhibit No. ____ (PS-1c), FASB ASC;" to "Exhibit No. ____ (PS-1b), Accountants Handbook;"
3	25	Change "Exhibit No. ____ (PS-1b), Accountants Handbook;" to "Exhibit No. ____ (PS-1c), FASB ASC;"
4	9	Delete line.
4	10	Delete line.
4	13	Change "Credit Spreads for Auto Loan ABS vs. Credit Card ABS;" to "Saber Partners Report – Analysis of Ohio Power Pricing;"
4	23	Change "2010 to Present; and" to "Spreads – Citigroup vs. J.P. Morgan;"
4	24	Change "Exhibit No. ____ (PS-20), Utility Securitization Transactions since 1997." To "Exhibit No. ____ (PS-19a), AEP Sidley MS Email; and"
4	25	Add ""Exhibit No. ____ (PS-20), Utility Securitization transactions since 1997."
8	11	Change "that securitized" to "that the property collateralizing the securitized"
8	11-12	Change "as" to "as 'financial assets,' and those bonds therefore should not be treated"

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET: 150148-EI EXHIBIT: 59
PARTY: STAFF – (DIRECT)
DESCRIPTION: Paul Sutherland PS-7

PAGE NO.	LINE NO.	CHANGE
8	12-13	Change "See Exhibit No. ____ (PS-1a), attached to my testimony.)" to "See Exhibit Nos. ____ (PS-1a), ____ (PS-1b), and ____ (PS-1c), attached to my testimony."
12	8	Change "formula, either" to "formula, usually either"
14	13	Delete "____ (PS-2)."
15	6	Delete "Please."
15	17	Delete "have been"
25	15	Change "period)" to "period, excluding the 2012 CenterPoint transaction)"
32	10	Change "(PS-12)." to "(PS-15)."
35	14	Delete "See my"
44	7	Change "(PS-19)," to "(PS-19a),"
Exh (PS-1)		Replace Exhibit with color version of same Exhibit
Exh. (PS-1a)	Title	Change to "Securitized Utility Property Not a Financial Asset"
Exh. (PS-1b)		Replace Exhibit with color version of same Exhibit
Exh. (PS-3)		Replace Exhibit with color version of same Exhibit
Exh. (PS-4)		Replace Exhibit with color version of same Exhibit
Exh. (PS-5)		Replace Exhibit with color version of same Exhibit
Exh. (PS-6)		Replace Exhibit with color version of same Exhibit
Exh. (PS-6a)		Replace Exhibit with color version of same Exhibit
Exh. (PS-7)		Replace Exhibit with color version of same Exhibit
Exh. (PS-7a)		Delete (Exhibit was inadvertently included)
Exh. (PS-8)		Delete (This is a duplicate of Shoenblum's Exhibit No. ___(HS-1))

PAGE NO.	**LINE NO.**	**CHANGE**
Exh. (PS-9)		Replace Exhibit with color version of same Exhibit
Exh. (PS-10)		Replace Exhibit with color version of same Exhibit
Exh. (PS-11)	Title	Change to "Saber Partners Report – Analysis of Ohio Power Pricing" and
Exh (PS-11)		Replace Exhibit with color version of same Exhibit.
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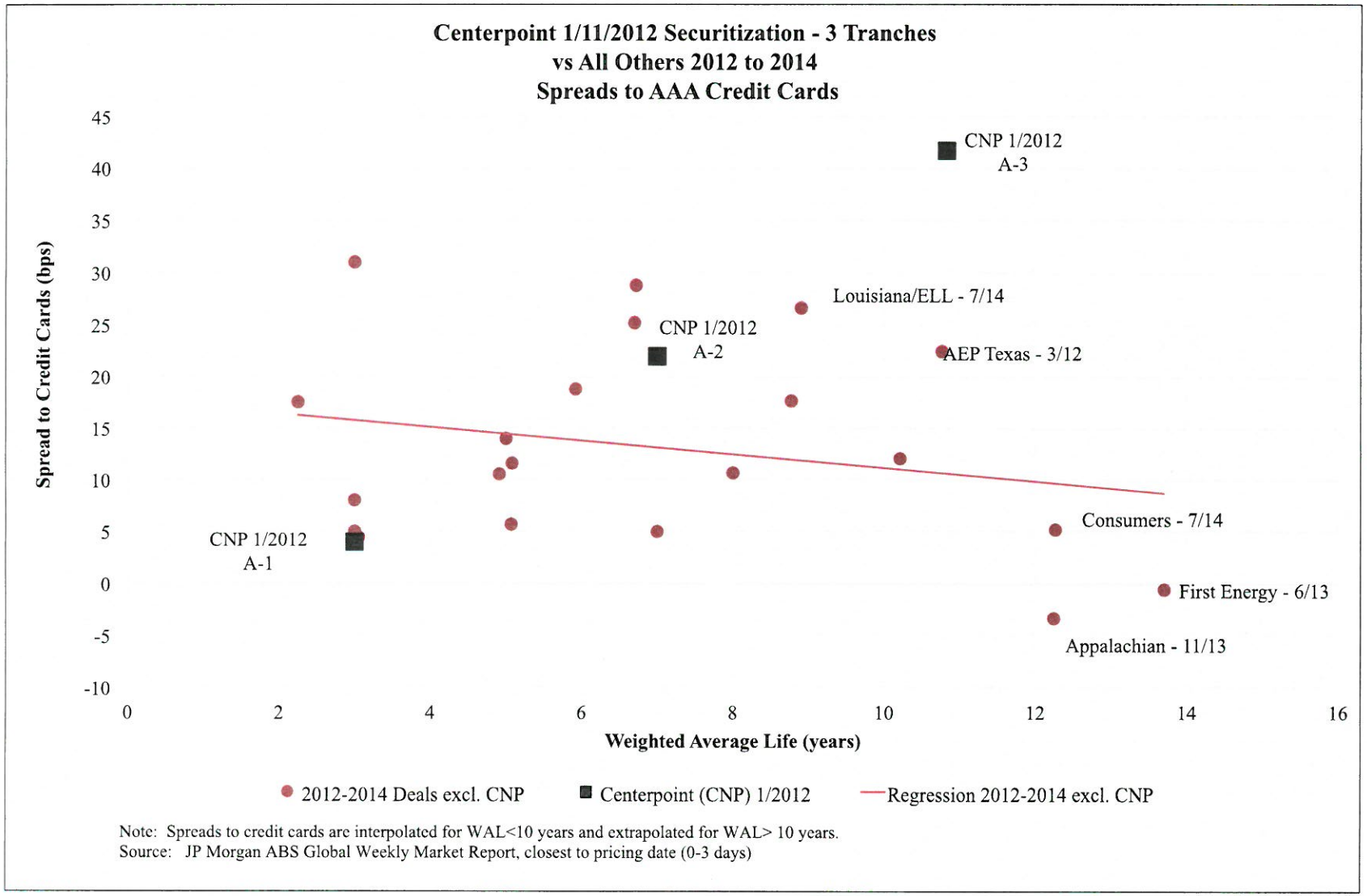
Exh. (PS-19a)		Add new Exhibit ____ (PS-19a)



Note: Spreads to credit cards are interpolated for WAL<10 years and extrapolated for WAL> 10 years.
Source: JP Morgan ABS Global Weekly Market Report, closest to pricing date (0-3 days)

Docket No. 150171-EI
Witness: Sutherland
CenterPoint 1/11/2012 Securitization
Updated 9/9/15
Exhibit No. ___ (PS-7), Page 1 of 1

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 150171-EI

ERRATA SHEET

WITNESS: **PAUL SUTHERLAND – STAFF**

PAGE NO.	LINE NO.	CHANGE
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FLORIDA PUBLIC SERVICE COMMISSION
DOCKET: 150148-EI EXHIBIT: 60
PARTY: STAFF – (DIRECT)
DESCRIPTION: Paul Sutherland PS-9

PAGE NO.	**LINE NO.**	**CHANGE**
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CenterPoint Energy Houston Electric (CEHE) Securitization

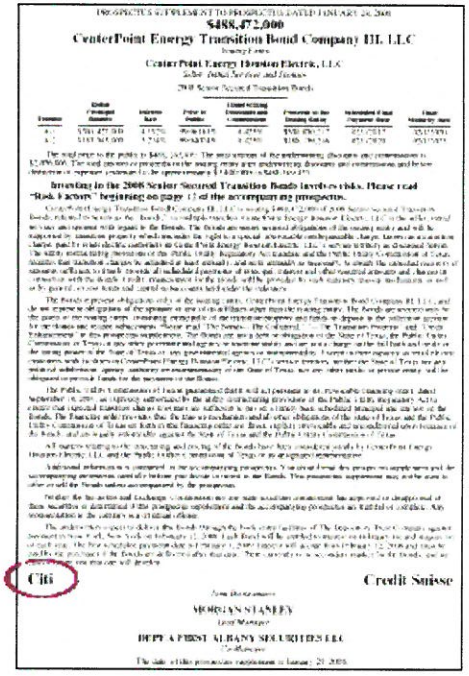
On Jan. 29, 2008, CEHE priced one of the most successful asset-backed securities (ABS) offering in many months, attracting both traditional asset-backed buyers and corporate "crossover" investors

CenterPoint Energy Transition Bond Company III, LLC (CEHE III)

Tranche	Balance	Coupon	Yield	Price	WAL	Spread to Swaps	Window (yrs)
A-1	$301,427,000	4.192%	4.192%	99.96161%	5.00	S + 64 bp	Feb-2009 : Feb-2017
A-2	187,045,000	5.234%	5.234%	99.94074%	10.52	S + 94 bp	Feb-2017 : Feb-2020
	$488,472,000		4.591%		7.11	Time Weighted Yield:	4.782%

Overview of CEHE III Offering

- The credit quality of utility securitization bonds came into sharp focus in today's environment of volatile credit markets and a weakening consumer
- We estimate that each tranche of the CEHE III offering priced approximately 15-25 bp inside of like-maturity credit card securities
- In fact, Citi priced a 10-year credit card transaction at +118 bp on Jan. 31, a premium of 24 bp to CEHE III's A-2 tranche



$488,472,000

CenterPoint Energy Transition Bond Company III, LLC

CenterPoint Energy Houston Electric, LLC

Investing in the 2008 Senior Secured Transition Bonds involves risks. Please read "Risk Factors" beginning on page [ ] of the accompanying prospectus.

Citi

Credit Suisse

MORGAN STANLEY

DEPFA FIRST ALBANY SECURITIES LLC

Precedent Texas Securitizations

Date	Utility	Size ($mm)	WAL (yrs)	Time-Weighted Yield (%)
01/29/08	CenterPoint Energy Houston Electric III	$488.472	7.11	4.782%
08/22/07	Entergy Gulf States	$329.500	8.05	5.834%
10/04/06	AEP Texas Central	$1,739.700	8.44	5.192%
12/08/05	CenterPoint Energy Houston Electric II	$1,851.000	8.26	5.177%
05/28/04	Oncor Electric Delivery II	$789.777	6.83	4.913%
08/14/03	Oncor Electric Delivery	$500.000	6.85	4.844%
01/31/02	Central Power & Light	$797.335	8.02	5.970%
10/17/01	Reliant Energy	$748.897	7.80	5.233%

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Press on CEHE III Offering: IFR Article and PUCT Release

ABS MARKET: Investors Take Shine to CNP's Transition Bonds New York, January 30.

CenterPoint's (CNP) $488 million offering of utility transition bonds was granted a hearty reception by investors. A simple two maturity structure in five-year and 10-1/2 yr tenors proved to be the right formula for the Houston-based energy company.

Citigroup and Credit Suisse teamed up as joint bookrunners with Morgan Stanley as a non-books co-lead. The $300m class A-1 opened with official guidance of Swaps plus high 60s BP to Swaps+70bp and the $188.3m class A-2 began marketing at Swaps+high 90s to plus 100bp. Whisper chatter prior to the guidance announcement was +75bp for the 5s and +100bp on the longer piece.

With the book building in a short period to several times oversubscribed, the shorter bond priced at Swaps+64bp to yield 4.192% and the 10+YR stamped at interpolated Swaps+94bp for a 5.234% yield.

PUCT News Release: Thursday, January 31, 2008

Lower Costs for CenterPoint area Customers

Securitization Reduces Transition to Competition Costs

Electric customers in the CenterPoint Energy service area in and around Houston will *save more than $109 million in costs* over the next 12 years as a result of the lowest securitized bond rates since retail electric competition began in Texas.

"Securitization will reduce electricity costs by millions of dollars in the CenterPoint service area," said PUC Chairman Barry Smitherman. "These savings are possible through the efforts of Gov. Rick Perry and the leadership of the Texas Legislature in making necessary changes in the law to help electric customers."

House Bill 624 approved by the 80th Texas legislature in 2007 extended securitization to competitive transition costs beyond limits imposed in the original 1999 Texas Electric restructuring law. The law allows securitization only if there is a benefit for customers.

This week's pricing of approximately $488 million in CenterPoint securitization bonds resulted in very favorable interest rates of 4.19 percent for $300 million in five-year bonds and 5.23 percent for $188 million in ten-year bonds. This is a substantial reduction from what would have been an 8.06 percent interest rate without securitization. CenterPoint is expected to close on these bonds in a few weeks.

Securitized debt provides funding at a lower cost than traditional utility funding because of the risk reduction that securitization gives to bondholders.

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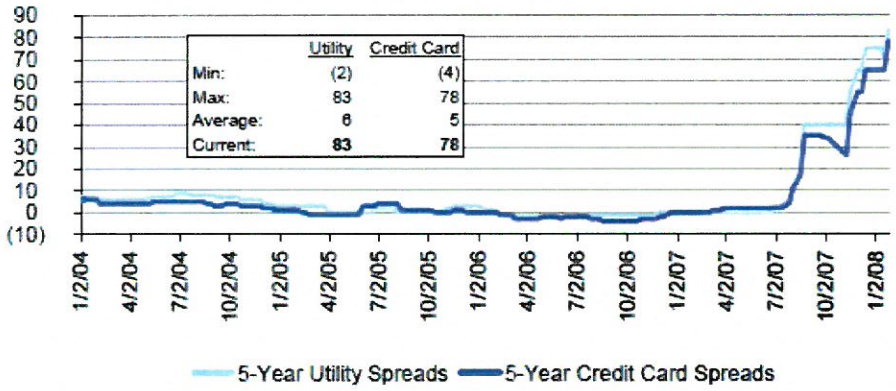
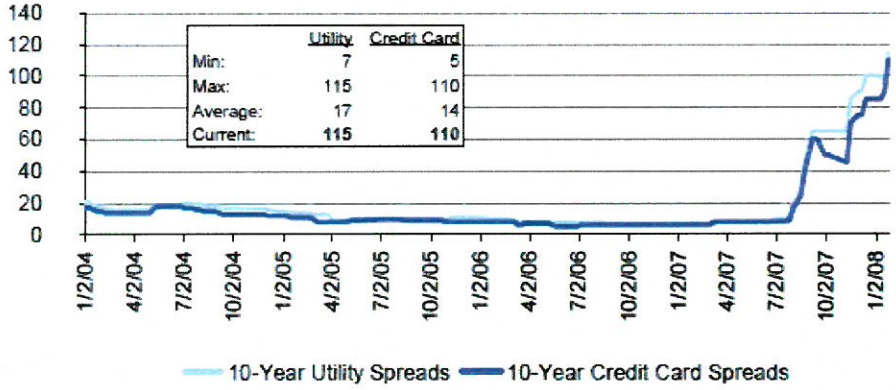
ABS Market Spread Monitor: Cards and "Stranded"

5-Year AAA ABS Spreads



10-Year AAA ABS Spreads



Citi Bond Market Roundup: Strategy — Data Appendix, January 25, 2008

		24 Jan 08 Spread (bp)
Triple-A		
2-Yr	Auto	75
	Credit card	58
	Equipment	85
	Stranded Assets	63
3-Yr	Auto	100
	Credit card	68
	Equipment	110
	Stranded Assets	73
5-Yr	Credit card	78
	Stranded Assets	83
7-Yr	Credit card	90
	Stranded Assets	95
10-Yr	Credit card	110
	Stranded Assets	115

Mat.	Sector		25 Jan	
1 Yr.	Fin.:	AA	20	
2 Yrs.	Fin.:	AA	180	
3 Yrs.	Fin.:	AA	195	
5 Yrs.	Util.:	AA	135	S+65 bp
	Ind.:	AA	125	
	Fin.:	A	375	
10 Yrs.[d]	Util.:	AAA	135	
		AA	145	S+85 bp
		A	150	
		BBB	190	
	Ind.:	AAA	135	
		AA	155	
		A	175	
		BBB	240	
	Fin.:	AAA	180	
		AA	220	
		A	425	

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Overview of Texas Securitization Framework

Texas has seen six previous transition bond offerings ($6.43 billion) and one storm recovery bond offering ($329.5 million); CEHE itself has sponsored two of the previous transition bond offerings totaling $2.6 billion.

- The Restructuring Act (SB 7) became effective on September 1, 1999
  - Authorized competition in the retail electric market and the electricity generation market beginning in 2002
  - Required a rate freeze for all retail electric customers until 2002, and access to certain reduced rates for residential and small commercial retail electric customers for up to five years thereafter
  - Required certain integrated electric utilities to separate their business into the following units: a power generation company; a retail electric provider (REP); a transmission and distribution utility
  - Provided for recovery of qualified costs and for the 2004 proceeding to determine CEHE's recoverable true-up balance
  - Provided for securitization of a portion of the true-up balance though "transition charges," including a framework for a financing order and the state pledge to adjust transition charges to ensure expected transition charge revenues are sufficient to make timely payment of transition bonds
- In offerings in Oct. 2001 and Dec. 2005, CEHE issued $2.6 billion of Transition Bonds in aggregate pursuant to this securitization framework
- In June 2007, the Restructuring Act was amended to allow securitization of true-up balance amounts being collected through the Competition Transition Charge (CTC)
  - This amendment provides a framework for CEHE to securitize the remainder of the amounts determined in the Dec. 2004 order
- On September 18, 2007, the Public Utility Commission of Texas (PUCT) issued a Financing Order to CEHE authorizing the issuance of approximately $500 million of transition bonds
- The transition charges in the CEHE III offering comprise an estimated 0.3% of the customer's bill; in aggregate with the other two securitizations, the percentage is about 3.4%

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Recent Precedent Texas Securitizations

Offer Date	Issuer	Tranche	Coupon	Expected Final	Legal-Final (yrs)	Amount ($mm)	WAL (yrs)	Yield (%)	Price (%)	Reoffer Spread
01/29/08	CenterPoint Energy Transition Bond Company III, LLC	A-1	4.192%	02/01/2017	3.00	$301.427	5.00	4.192%	99.96161%	Swap+54
01/29/08		A-2	5.234%	02/01/2020	3.00	$187.045	10.52	5.234%	99.94074%	Swap+94
Total/Average						$488.472	7.11	4.681%	4.782%	**(Time Weighted)**
06/22/07	Entergy Gulf States Reconstruction Funding I, LLC	A-1	5.51%	10/01/2012	1.00	$93.500	2.99	5.510%	Var	Swap+2
06/22/07		A-2	5.79%	10/01/2017	1.00	$121.600	7.99	5.790%	Var	Swap+6
06/22/07		A-3	5.93%	04/01/2021	1.25	$114.400	12.24	5.930%	Var	Swap+8
Total/Average						$329.500	8.06	5.768%	5.834%	**(Time Weighted)**
10/04/06	AEP Texas Central Transition Funding II LLC	A-1	4.98%	01/01/2010	2.00	$217.000	2.00	4.972%	99.99585%	Swap-7
10/04/06		A-2	4.98%	07/01/2013	2.00	$341.000	5.00	4.989%	99.94158%	Swap-2
10/04/06		A-3	5.09%	07/01/2015	2.00	$250.000	7.58	5.094%	99.95516%	Swap+3
10/04/06		A-4	5.17%	01/01/2018	2.00	$437.000	10.00	5.174%	99.94852%	Swap+6
10/04/06		A-5	5.3063%	07/01/2020	2.00	$494.700	12.68	5.304%	99.99937%	Swap+14.1
Total/Average						$1,738.700	8.44	5.138%	5.192%	**(Time Weighted)**
12/09/05	CenterPoint Energy Transition Bond Company II, LLC	A-1	4.840%	02/01/2009	2.00	$250.000	2.0	4.840%	99.98928%	Swaps-3
12/09/05		A-2	4.970%	08/01/2012	2.00	$366.000	5.0	4.974%	99.96013%	Swaps+0
12/09/05		A-3	5.090%	02/01/2014	1.00	$252.000	7.5	5.089%	99.99640%	Swaps+5
12/09/05		A-4	5.170%	08/01/2017	2.00	$519.000	10.0	5.172%	99.97450%	Swaps+7
12/09/05		A-5	5.302%	08/01/2019	1.00	$462.000	12.7	5.302%	100.00000%	Swaps+13
Total/Average						$1,861.000	8.28	5.108%	5.177%	**(Time Weighted)**

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Expected Principal Balance and Amortization Schedules

Date	A-1	A-2	Total
02/12/08	$301,427,000	$187,045,000	$488,472,000
02/01/09	280,924,656	187,045,000	467,969,656
08/01/09	268,256,701	187,045,000	455,301,701
02/01/10	251,782,048	187,045,000	438,827,048
08/01/10	237,859,224	187,045,000	424,904,224
02/01/11	219,982,954	187,045,000	407,027,954
08/01/11	204,690,875	187,045,000	391,735,875
02/01/12	185,303,088	187,045,000	372,348,088
08/01/12	168,762,944	187,045,000	355,807,944
02/01/13	148,092,709	187,045,000	335,137,709
08/01/13	130,422,319	187,045,000	317,467,319
02/01/14	108,584,646	187,045,000	295,629,646
08/01/14	89,707,258	187,045,000	276,752,258
02/01/15	66,561,475	187,045,000	253,606,475
08/01/15	46,371,221	187,045,000	233,416,221
02/01/16	21,811,317	187,045,000	208,856,317
08/01/16	211,722	187,045,000	187,256,722
02/01/17	0	161,178,513	161,178,513
08/01/17	0	138,058,931	138,058,931
02/01/18	0	110,286,031	110,286,031
08/01/18	0	85,435,383	85,435,383
02/01/19	0	55,813,565	55,813,565
08/01/19	0	29,133,713	29,133,713
02/01/20	0	0	0

Date	A-1	A-2	Total
02/12/08	5.00 yr WAL	10.52 yr WAL	7.11 yr WAL
02/01/09	$20,502,344	$0	$20,502,344
08/01/09	12,667,955	0	12,667,955
02/01/10	16,474,653	0	16,474,653
08/01/10	13,922,824	0	13,922,824
02/01/11	17,876,270	0	17,876,270
08/01/11	15,292,079	0	15,292,079
02/01/12	19,387,786	0	19,387,786
08/01/12	16,540,144	0	16,540,144
02/01/13	20,670,235	0	20,670,235
08/01/13	17,670,390	0	17,670,390
02/01/14	21,837,673	0	21,837,673
08/01/14	18,877,388	0	18,877,388
02/01/15	23,145,783	0	23,145,783
08/01/15	20,190,254	0	20,190,254
02/01/16	24,559,904	0	24,559,904
08/01/16	21,599,595	0	21,599,595
02/01/17	211,722	25,866,487	26,078,209
08/01/17	0	23,119,582	23,119,582
02/01/18	0	27,772,900	27,772,900
08/01/18	0	24,850,648	24,850,648
02/01/19	0	29,621,819	29,621,819
08/01/19	0	26,679,852	26,679,852
2/1/2020	0	29,133,713	29,133,713

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SABER PARTNERS, LLC

AAA Rated Comparable Pricing

Symbol	Coupon	Maturity	Issue Size ($ MM)	WAL (yrs.)	Spread Over Interpolated Treasuries (bps)	Spread Over Interpolated Swaps (bps)
MRK	4.375	2/15/2013	$500	8.8	52	-2
JNJ	3.800	5/15/2013	500	9.1	44	-9
TVA	4.750	8/01/2013	1,500	9.3	61	+9
FHLB	4.500	9/16/2013	3,000	9.4	60	+10
FHLMC	4.500	1/15/2014	6,000	9.7	59	+11
PFE	4.500	2/15/2014	750	9.8	50	+3
FNMA	4.125	4/15/2014	4,000	10.0	59	+9

Yield spreads from Bloomberg BGN (or, if not available, BFV) prices as of 5/15/04.
Source: Bloomberg

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4	10	Delete line.
4	13	Change "Credit Spreads for Auto Loan ABS vs. Credit Card ABS;" to "Saber Partners Report – Analysis of Ohio Power Pricing;"
4	23	Change "2010 to Present; and" to "Spreads – Citigroup vs. J.P. Morgan;"
4	24	Change "Exhibit No. ____ (PS-20), Utility Securitization Transactions since 1997." To "Exhibit No. ____ (PS-19a), AEP Sidley MS Email; and"
4	25	Add ""Exhibit No. ____ (PS-20), Utility Securitization transactions since 1997."
8	11	Change "that securitized" to "that the property collateralizing the securitized"
8	11-12	Change "as" to "as 'financial assets,' and those bonds therefore should not be treated"

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET: 150148-EI EXHIBIT: 62
PARTY: STAFF – (DIRECT)
DESCRIPTION: Paul Sutherland PS-11

PAGE NO.	**LINE NO.**	**CHANGE**
8	12-13	Change "See Exhibit No. ____ (PS-1a), attached to my testimony.)" to "See Exhibit Nos. ____ (PS-1a), ____ (PS-1b), and ____ (PS-1c), attached to my testimony."
12	8	Change "formula, either" to "formula, usually either"
14	13	Delete "____ (PS-2)."
15	6	Delete "Please."
15	17	Delete "have been"
25	15	Change "period)" to "period, excluding the 2012 CenterPoint transaction)"
32	10	Change "(PS-12)." to "(PS-15)."
35	14	Delete "See my"
44	7	Change "(PS-19)," to "(PS-19a),"
Exh (PS-1)		Replace Exhibit with color version of same Exhibit
Exh. (PS-1a)	Title	Change to "Securitized Utility Property Not a Financial Asset"
Exh. (PS-1b)		Replace Exhibit with color version of same Exhibit
Exh. (PS-3)		Replace Exhibit with color version of same Exhibit
Exh. (PS-4)		Replace Exhibit with color version of same Exhibit
Exh. (PS-5)		Replace Exhibit with color version of same Exhibit
Exh. (PS-6)		Replace Exhibit with color version of same Exhibit
Exh. (PS-6a)		Replace Exhibit with color version of same Exhibit
Exh. (PS-7)		Replace Exhibit with color version of same Exhibit
Exh. (PS-7a)		Delete (Exhibit was inadvertently included)
Exh. (PS-8)		Delete (This is a duplicate of Shoenblum's Exhibit No. ___(HS-1))

PAGE NO.	**LINE NO.**	**CHANGE**
Exh. (PS-9)		Replace Exhibit with color version of same Exhibit
Exh. (PS-10)		Replace Exhibit with color version of same Exhibit
Exh. (PS-11)	Title	Change to "Saber Partners Report – Analysis of Ohio Power Pricing" and
Exh (PS-11)		Replace Exhibit with color version of same Exhibit.
Exh. (PS-12)		Replace Exhibit with color version of same Exhibit
Exh. (PS-13)		Replace Exhibit with color version of same Exhibit
Exh. (PS-14)		Replace Exhibit with color version of same Exhibit
Exh. (PS-17)		Replace Exhibit with color version of same Exhibit
Exh. (PS-17a)		Replace Exhibit with color version of same Exhibit
Exh. (PS-18)		Replace Exhibit with color version of same Exhibit
Exh. (PS-19)	Title	Change to "10-Year AAA Stranded Assets Spreads – Citigroup vs. J.P. Morgan" and
Exh. (PS-19)		Replace Exhibit with color version of same Exhibit
Exh. (PS-19a)		Add new Exhibit ____ (PS-19a)

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Analysis of Ohio Power Co. Structuring and Pricing of $267,408,000 Ohio Phase-In Recovery Bonds

EXECUTIVE SUMMARY

- Ohio Power Co. (OPCo or the Company) ratepayers will pay ***at least an additional $3 million in interest and fees*** on the $267,408,000 Phase-In Recovery Bonds (PIR Bonds) sold on July 23, 2013. To prevent this outcome from becoming accepted precedent that raises ratepayer costs for future utility securitizations, it is imperative to analyze the "lessons learned" from this transaction.
- The Public Utilities Commission of Ohio (PUCO) retained independent financial advisors, Public Resources Advisory Group and Oxford Advisors (PRAG–Oxford), to "serve as joint decision maker [with the issuer] on all matters related to structure, pricing and marketing of the bonds."
  - PRAG is a top rated general municipal bond advisor, and of the 45 corporate utility securitizations sold since 2000, has been an advisor for one in 2007.
  - Oxford has not been involved in any previous corporate utility securitization.
- To provide transparency and accountability, PUCO directed its advisors to issue a public report on the bond issue, with specific attestations concerning the pricing relative to comparable securities. The docket is open for public comment.
- While the bond coupons benefited from extraordinarily low US Treasury benchmark rates, a conservative analysis of the PRAG-Oxford report reveals that PRAG–Oxford made or recommended decisions on the structuring, marketing and pricing of the PIR Bonds that will cost Ohio ratepayers the following:
  - At least ***$1.3 million in higher interest expense*** caused primarily by the decision to sell two tranches of PIR Bonds with 2.25-year and 5.08-year weighted average lives (WALs) instead of one tranche as had been recommended by the underwriters with a 3.34-year WAL and the same amortization schedule. This also appears to have been caused in part by PRAG-Oxford's use of unusual and inappropriate bond "comparables" in its analysis and decision-making process, *i.e.*, comparing the highest quality PIR Bonds to lesser quality auto loans and floor lease asset backed securities (ABS) that have higher interest rates and credit spreads. For more than 10 years, numerous fixed income research departments, rating agency and other market participants have more appropriately compared utility securitization bonds to AAA-rated credit card ABS or traditional high quality utility bonds.[1] We know of no published reports from any source that compare these bonds credit quality and structure to the securities identified by PRAG-Oxford. These inappropriate comparisons, presumably used by PRAG-Oxford in negotiations with underwriters and investors in selling the bonds, appear to have led to higher PIR Bond interest rates for OPCo customers.
  - Up to $***1.6 million in excess servicing costs*** for the PIR Bonds under the servicing agreement negotiated and approved by PRAG-Oxford with OPCo. Contrary to established market precedent since 2007, PRAG–Oxford approved annual servicing costs of 10 basis points (0.10%) of the initial principal amount, which were double the 5 basis points (0.05%) most common on other utility securitization deals, both larger and smaller. Furthermore, PRAG–Oxford did not require that any fees exceeding the Company's demonstrable incremental PIR Bond servicing costs (over costs already recovered in other rates and charges imposed by OPCo) be credited back to Ohio ratepayers. This provision had been included in other utility securitizations, including those by other subsidiaries of OPCo's parent company, American Electric Power Company.

[1] See "Absolute Value: Rate Reduction Bond ABS Primer" Wells Fargo Securities, July 17, 2013. See also, Citigroup, "US Fixed Income Strategy – Consumer ABS" August 18, 2006 and Citigroup Research Report (SalomonSmith Barney), "Asset-Backed Global Power/Stranded Asset Roundup," January 9, 2002.

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ANALYSIS OF OHIO POWER CO. STRUCTURING AND PRICING OF $267,408,000 OHIO PHASE-IN RECOVERY BONDS

SABER PARTNERS, LLC

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SABER PARTNERS, LLC

Introduction

The PUCO's financing order required the PIR Bonds to be priced so as to "reflect a market price of most recently issued comparable securities" and to be "consistent with market conditions" at the time of pricing. In furtherance of the PUCO's efforts to achieve transparency and accountability, we have analyzed the reasonableness of the structuring and pricing of the PIR Bonds.[2] This analysis is based solely on publicly available information. Every dollar spent in this transaction is a ratepayer dollar.

In finance, the price any new issue of bonds can only be evaluated by examining the "credit" or "pricing" spread of the bonds over established market benchmarks, such as US Treasuries or swap[3] rates. This is because, while the level of the benchmark rate is not in control of market participants, at least to some extent the spread is. Simply looking at the coupon or yield, which is the combination of the benchmark plus the spread, can be misleading because most of the coupon (the benchmark) is not affected by negotiations with the market. The pricing or credit spread over the appropriate benchmark, however, is.

Our analysis shows that, while the coupon rates benefitted from the continuing low benchmark interest rate environment, the PIR Bonds were mis-structured and mispriced. In addition, it appears that provisions in the Servicing Agreement relating to certain upfront and ongoing costs were needlessly costly to ratepayers. It is important to analyze and discuss these issues in order to establish "lessons learned" and to prevent these issues from becoming accepted precedent, especially in connection with any future PIR Bonds issued in Ohio.

PRAG-Oxford's Recommendation of a Two-Tranche Structure

One of the most troubling aspects of the OPCo PIR Bond sale concerns the structuring of the deal into two tranches[4] rather than one. This caused the bond sale to use a higher benchmark and pricing spread. PRAG-Oxford states in their report that "the underwriters had proposed a single pass-through tranche but PRAG-Oxford requested early in the market discussions that they [the underwriters] continue to evaluate a 2-tranche structure," which is the structure that was ultimately used.[5]

---

2 The most direct source of information concerning the circumstances under which the PIR Bonds were priced is the PRAG-Oxford report. This was required by PUCO's financing order and is publicly available on the PUCO website under Case No. 12-19ATS69-EL-ATS. In that report, PRAG-Oxford attests that they "participated fully with the Applicant [Ohio Power] . . . as a co-equal in all plans and decisions related to pricing, marketing and structuring of the PIR Bonds". Pricing and other information related to cash flows and tranche credit spreads are on file with the SEC (*see* OpCo Prospectus Supplement).

3 A common benchmark rate based on LIBOR (London Inter-Bank Offered Rate).

4 A "tranche" is similar to a separate class of bonds with its own separate interest rate and maturity/repayment schedule.

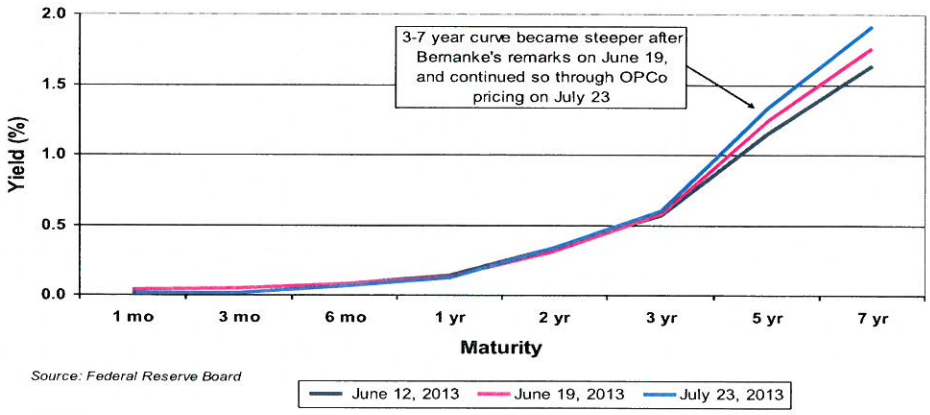
5 The Company had proposed to use a 2-tranche structure under different market conditions. *See* p. 10 of the financing order: "Ohio Power explains that it will issue two specific tranches (classes) of bonds with different fixed interest rates and maturity dates. Tranche A-1 will be in the amount of $149,000,000 with a proposed interest rate of.58 percent and an expected maturity of 3.71 years. Tranche A-2 will be in the amount of $149,018,000 with a proposed interest rate of 1.55 percent and an expected maturity of 6.71 years." (Ohio Power, Revised Ex. C, March 12, 2013) According to the PRAG-Oxford report, the underwriters prudently suggested changing to a one-tranche structure, but appear to have been overruled by PRAG-Oxford.

The PRAG-Oxford report goes on to say that "due to the steepening of the yield curve and changing market conditions, the 2-tranche structure did provide a lower borrowing cost and greater savings for the ratepayers." However, there is no analysis in the PRAG-Oxford report supporting this claim.

In fact, the evidence cited in the PRAG-Oxford report for a "steepening of the yield curve and changing market conditions" was the rise in yields of 10-year Treasury bonds following comments by Federal Reserve Chairman Ben Bernanke on June 19, 2013 about future Federal Reserve open market bond purchases.

While interesting, the chart in the PRAG-Oxford report showing the rise in 10-year Treasury yields is misleading in the context of PIR Bonds. OPCo bonds have much shorter maturities than 10-year Treasury bonds. As seen in **Figures 1a and 1b**, there was little or no steepening of the yield curve for securities due in three years or earlier.

Changes in US Treasury Yield Curve
From Pricing of FirstEnergy to OPCo Deals
Figure 1a



Source: Federal Reserve Board

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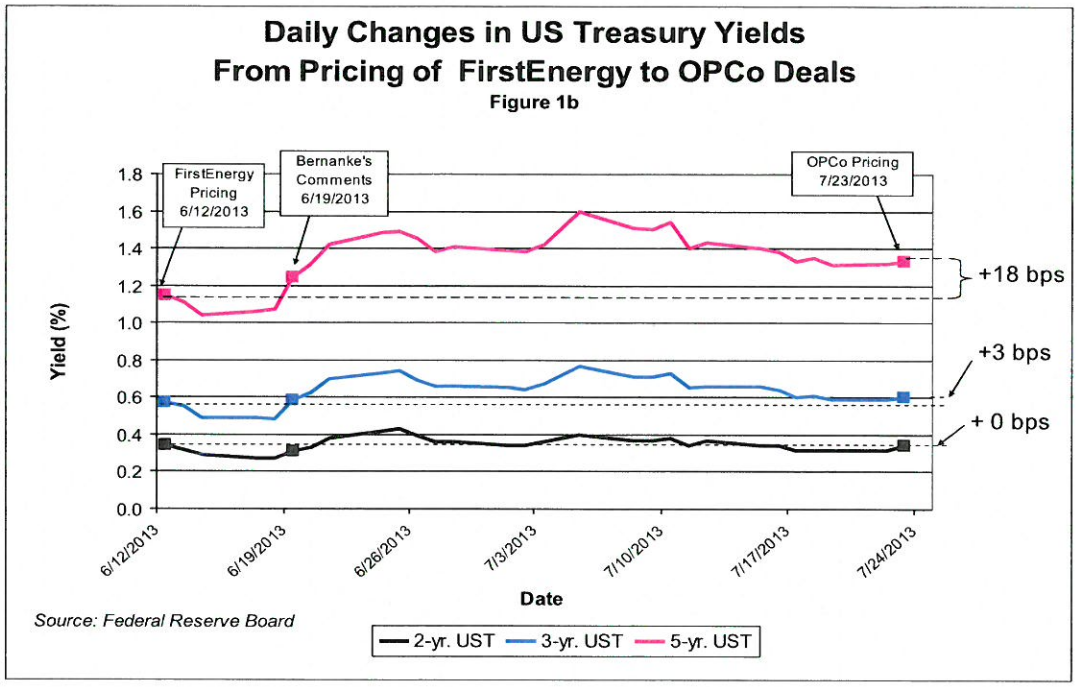

Figure 2, below, shows the yield curves for both US Treasuries and swaps for 2 to greater than 5 years on the day of pricing, July 23. The slope of the swap curve is significantly steeper from 3 to 5 years than from 2 to 3 years (+37 vs. +27 basis points[6] (bps)/year).

Pricing a single tranche of PIR Bonds at a 3.34-year WAL between OPCo's 2.25 and 5.08 year WALs could have avoided most of the steeper part of the curve. Ratepayer costs could have been reduced by concentrating on market demand from investors preferring three-year securities, like AAA-rated credit card ABS, U.S. agency debt or highly-rated electric utility bonds . . . *without any change to the amortization schedule which is the most significant factor affecting the customer's bill.*

6 A basis point equals 1/100th of 1%.

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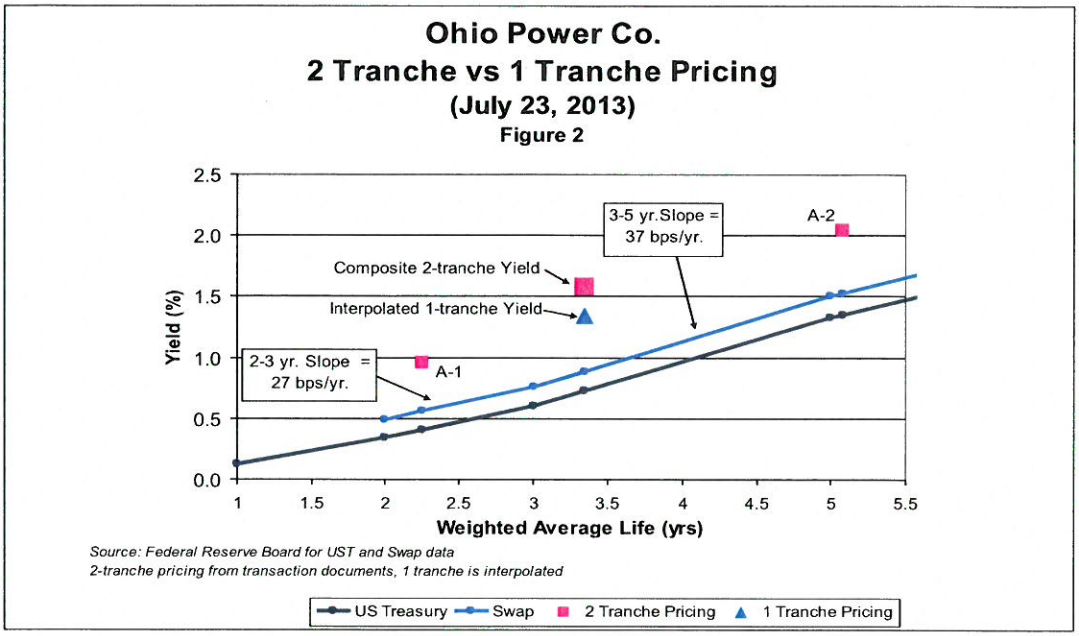


Estimating the Yield for Single-Tranche Alternative on July 23, 2013

Using standard market conventions and only information available at the time of pricing, it is possible to calculate how a single tranche deal might have been priced. (*It is important to note that no part of this analysis is based on "after-the-fact" information.)* We can thereby estimate the savings that could have been achieved through a single tranche structure.

If OPCo's PIR Bonds had been structured with a single tranche, that single tranche would have had a 3.34-year WAL. It is important to note that the single tranche PIR Bond issue would have required no change in the schedule of principal payments from the two-tranche structure. Using standard market conventions, the yield on this one-tranche structure can then be compared to the actual yield for the 2-tranche OPCo PIR Bond structure. One standard market convention for securitized utility bonds is to develop pricing benchmarks based on the Federal Reserve's Treasury and swap yield curve data on the date of pricing. Another standard market convention is to interpolate on a straight-line basis between actual Treasuries and swap yield data available on the pricing date.

(i) On July 23, 2013 (the PIR Bond pricing date and according to the pricing memorandum filed by OPCo with the SEC), the swap benchmark rate at 3 years was 0.76% and at 5 years was 1.5%. By interpolation, the swap benchmark rate at 3.34 years was 0.886%.

(ii) The pricing spread for the A-1 tranche of OPCo's PIR Bonds over interpolated swaps was +40 bps at 2.25 years and for the A-2 tranche was +52 bps over

interpolated swaps at 5.08 years.[7] **The pricing spread over interpolated benchmark swaps at 3.34 years was therefore 45 bps** (rounding up).

(iii) 0.886% plus 45 bps (line (i) + line (ii)) produces a yield of 1.336% for a single tranche PIR Bond deal.

(iv) The PRAG-Oxford report states that the composite rate for the two-tranche deal was 1.580%.[8]

(v) The difference between the 2-tranche yield of 1.58% and the 1-tranche yield of 1.336% is a savings of 0.244% (line (iv) – line (iii)). **That is more than 24 bps savings.**

(vi) The yield differential times the principal amount times the years outstanding (*i.e.*, WAL) gives a **nominal savings of $2,177,692.**

---

7 Pricing Term Sheet, dated July 23, 2013. http://www.sec.gov/Archives/edgar/data/1577459/000090514813000747/efc13-465_fwp.htm .

8 This was verified (roughly) in Table 1, below.

The calculation of single tranche pricing for OPCo's PIR Bonds and forgone savings is shown in **Table 1**, below:

Forgone Savings in OPCo
2-Tranche Pricing vs. Interpolated Single-Tranche Pricing

Table 1

RRB Extrapolated Yield Curve

Maturity (yrs)	Swap Yield (%)	Pricing Spread (%)	Yield (%)	
2.00	0.490			
2.25	0.558	0.40	0.958	A-1 Tranche yield
3.00	0.760			
3.34	0.886	0.45	**1.336**	**Possible single tranche pricing**
5.00	1.500			
5.08	1.528	0.52	2.048	A-2 Tranche yield
7.00	2.120			
Composite Yield for 2-tranche deal			**1.580**	**Wtd. Avg. Yield**
		interpolated		

Check Composite Yield for 2-tranche deal

	Maturity (yrs.)	Principal Amt. ($)	PA * WAL ($ - years)	Yield Calc. Check (%)
	2.25	164,900,000	371,025,000	0.958
	5.08	102,508,000	520,740,640	2.048
Wtd. Avg	3.34	267,408,000	891,765,640	1.594

Forgone savings

	Yield (%)	
2-tranche deal	1.580	
1-tranche deal	1.336	
yield savings	0.244	x P.A x WAL
= Nominal $ Savings	**$ 2,177,692**	

Sources: Swap spreads from Federal Reserve Board
2-tranche pricing spreads, composite 2-tranche yield, WALs and principal amounts from PRAG Letter

Single-Tranche Has Savings, Even After Adjustment for Market Judgments

As described in more detail below, only a limited marketing or sales effort was undertaken after filing of the registration statement and preliminary prospectus on May 21, 2013 in connection with OPCo's PIR Bonds. With such limited efforts to identify, contact and communicate with investors, it *may* not have been possible to achieve all the savings assumed in the calculations in Table 1 due to the longer payment window (the period during which principal is being repaid) inherent in a single tranche structure. Generally, shorter payment windows are more attractive to investors, which encourage them to accept lower yields. Single-tranche utility securitizations are unusual, but not unheard of, especially for deals with shorter WALs and relatively small principal amounts.

For example, on August 11, 2010, Entergy Arkansas Restoration Funding, LLC (Morgan Stanley Lead Underwriter) issued $124.1 million of Storm Recovery Bonds in a single tranche with a WAL of 5.44 years, a repayment window of 9.5 years and a pricing spread of +55 basis points to swaps. For OpCo, the repayment window of 5.5 years was narrower than the Entergy Arkansas sale, whether OPCo was structured with one tranche or two.[9]

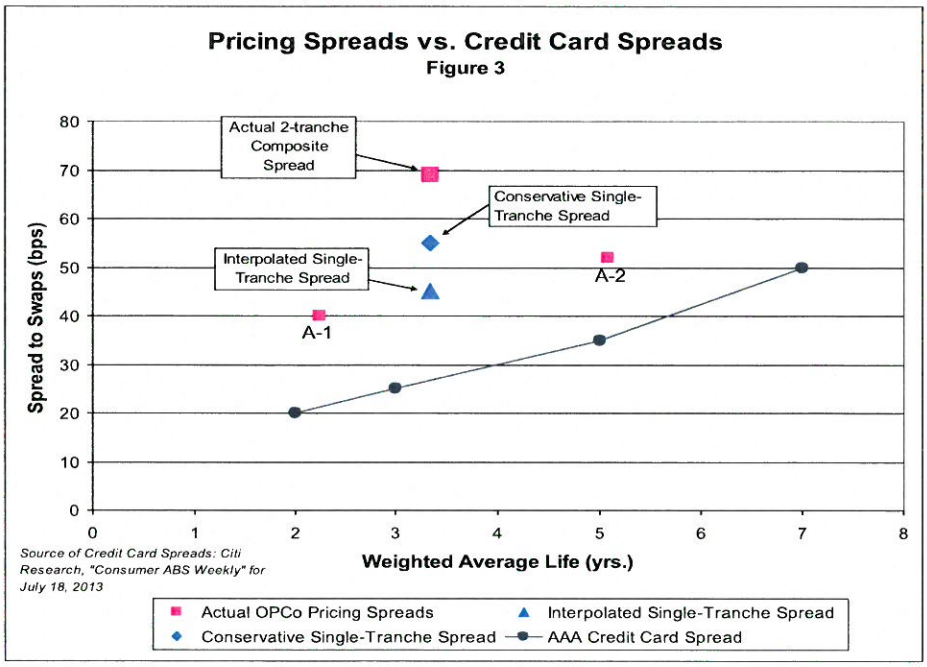
As Table 1 showed, at the time of the OPCo sale, a straight interpolation shows a swap benchmark rate of 0.896% and a pricing/credit spread of +45 bps.

To be conservative, because of the difference between the WAL and the longest possible maturity, we used an additional spread premium of 10 bps as a "fair value" adjustment to the credit spread.

Thus, a 3.34-year swap rate of 0.886% plus a 0.55% (45 bps + 10 bps) credit spread yields a conservatively estimated single-tranche rate of 1.436%. Comparing this to the actual composite rate of 1.58% resulting from the two-tranche structure **still yields a savings of over 14 bps, which translates to nominal interest savings of $1,285,926.**

The savings from using a single tranche structure is robust: the pricing spread would need to have increased to an unlikely +69 bps rather than +45-55 bps before the savings from a single-tranche structure would have been eliminated. Given the relationship to AAA-rated credit card ABS spreads shown in **Figure 3**, it does not seem plausible that a single-tranche PIR Bond deal would have required a +69 bps pricing spread to attract investors.

9 Sometimes even multi-tranche deals have longer payment windows. For example, on January 29, 2008 CenterPoint Energy priced utility securitization bonds in a 2-tranche structure where the A-1 tranche ($301 million principal) had a WAL of 5.0 years with a payment window of 8 years. On April 3, 2007 Allegheny Energy (subsidiaries Monongahela and Potomac Edison) priced a 4-tranche deal where the A-1 tranche had a 4-year WAL with a 7-year payment window at spreads *below* credit cards. Saber Partners was the Commission's advisor on that transaction.



Is PRAG-Oxford's Attestation of "Price Consistent With Market Conditions" Reasonable?

PRAG-Oxford seem to have ignored market research (including that of the underwriters as discussed below) and precedents in their analysis of the PIR Bonds' pricing.[10]

In discussing the pricing of the PIR Bonds, the PUCO's advisors asserted they negotiated narrower spreads than first proposed by underwriters. Those statements rely wholly on the indications of underwriters with no fiduciary duty to the issuer/ratepayers, and are no substitute for an independent, rigorous evaluation of relevant comparable securities, pricing of previous issues and investor preferences. In anticipation of tough negotiations, investment banks commonly propose "generous" spreads so that even if after negotiations result in a spread reduction, the bonds still carry a higher-than-necessary credit spread making the sale easier.

In discussing the A-1 tranche having priced at +40 bps over swaps, PRAG-Oxford asserts that the pricing "conforms to the broader Asset Backed Securities ('ABS') new issuance market of utility securitization, prime auto, and auto lease 'ABS'." They point to "the significant increase in credit spreads" since the FirstEnergy transaction on June 12 (the most recent utility securitization transaction), in addition to the difference in WAL, to explain why the A-1 tranche was priced at 40 bps over swaps, whereas the FirstEnergy A-1 tranche was priced at just 25 bps over the benchmark rate. However, the FirstEnergy A-1 tranche

10 See the pricing of PSE&G Transition Funding II, LLC, MP Environmental Funding, LLC, PE Environmental Funding, LLC ad FPL Recovery Funding, LLC.

benchmark was not the swap curve but the Eurodollar Synthetic Forward (EDSF), so the pricing spread is not strictly comparable.

More importantly, experienced market participants do not view AAA rated auto ABS as the best "comparable securities" to AAA-rated utility bonds like the PIR Bonds. More typically and more appropriately, as numerous fixed income research, rating agency and other market participants have stated for more than 10 years, utility securitization bonds are most comparable to AAA-rated credit card ABS or traditional high quality utility bonds including U.S. agencies.[11] We know of no published reports from any source that compare securitized utility bonds to the securities identified by PRAG-Oxford.

This incorrect selection of comparables makes a material difference to ratepayers. **Table 2**, below, shows the difference between yields on AAA-rated auto loan and AAA-rated credit card ABS securities from June 12, 2013, when the FirstEnergy transaction was priced, to July 23, 2013, when OPCo's PIR Bonds were priced. While AAA-rated credit card ABS spreads to swaps increased by 10-12 bps in the 2-3 year range (comparable to the A-1 tranche WAL of 2.25 years), AAA-rated auto loan ABS spreads increased by 16-18 bps. Thus, by benchmarking against inappropriate "comparables," the PRAG-Oxford report exaggerated the extent of the increase in credit spreads since the FirstEnergy sale, thus laying the groundwork for mispricing the PIR Bonds.

Credit Spreads for Auto Loan ABS vs. Credit Card ABS
Spread to Swaps (bps)
Table 2

	AAA Auto Loan ABS		AAA Credit Cards		
	2-year	**3-year**	**2-year**	**3-year**	**5-year**
June 6, 2013	12	17	10	13	25
July 18, 2013	28	35	20	25	35
Increase	16	18	10	12	10

Source: *"Consumer ABS Weekly," Citigroup Research, July 18, 2013*

In discussing the A-2 tranche, PRAG-Oxford takes credit for reducing the underwriters' initial spread recommendation from +60-65 bps downward to +52 bps. The FirstEnergy A-2 tranche with a similar 5.1-year WAL priced at +40 bps. PRAG-Oxford attributes the increased spread over the FirstEnergy deal to the "considerable movement in the public credit markets," although the 5-year credit card ABS spread only increased by 10 bps (from +25 to +35 bps) from June 6 to July 18. They also say that their A-2 pricing "conforms to the broader ABS new issuance market of utility securitization and prime auto ABS," even though there are no 5-year AAA-rated auto ABS issuances with which to compare. Citigroup's Fixed Income Research Department does not provide even indicative levels for 5-year auto ABS,

[11] *See* "Absolute Value: Rate Reduction Bond ABS Primer" Wells Fargo Securities, July 17, 2013. See also, Citigroup, "US Fixed Income Strategy – Consumer ABS" August 18, 2006 and Citigroup Research Report (SalomonSmith Barney), "Asset-Backed Global Power/Stranded Asset Roundup," January 9, 2002.

although they do so for credit card ABS and utility securitizations (which they refer to as "stranded asset" bonds).[12]

The PRAG-Oxford report also states "when PRAG-Oxford pressed the underwriters to lower the spread by another 1-2 bps on the day of pricing, we were informed that the transaction could not handle any additional reduction in spread." In a negotiated transaction, underwriters may say this, but the proof would be to see the composition of orders from all underwriters. Was there a written marketing plan? Did co-managers or just the lead managers receive orders? How were the orders distributed? What type of buyers? Were there "crossover" buyers as noted by Citi in the 2008 deal? Is the deal was 100% or more "subscribed" at that point, or if the underwriters might still have had to actually underwrite some portion of the deal at the time it was priced.

If marketing was limited (offering to a select few of buyers) and produced only a few investors in the book e.g., less than 5-10 then that is a self-imposed risk. Broad participation and competition is necessary to avoid a few investors driving the pricing higher.

If the deal is 100% sold and the underwriters do not take any risk of underwriting, then it cannot be said with confidence that the "transaction cannot handle any additional reduction" of even a basis point or two. It is not unusual for underwriters to actually underwrite 5-15% of a transaction in order to achieve efficient pricing without overpaying all investors in the book of orders.

The PRAG-Oxford report does not say if the underwriters actually underwrote any of the PIR Bond transaction. If the A-2 tranche had been priced at +50 bps instead of +52, reflecting just the 10 bp increase in credit card ABS spreads since the FirstEnergy transaction, the nominal savings to OPCo ratepayers would have been an additional $104,000.

Many Precedents of Utility Securitizations With Narrower Spreads than OPCo

Citigroup, the lead underwriter for the PIR Bonds and an experienced participant in utility securitizations, has in the past compared their new issue pricing to the estimated yields published weekly by Citigroup's Fixed Income Research group. In 2008, for example, Citigroup boasted when it sold utility securitization bonds at narrower spreads to swaps than new credit card ABS issues or indicative rates for trades in the secondary market. Many other utility securitizations with WALs comparable to the PIR Bonds have sold with spreads to swaps narrower than those for concurrent credit card ABS.[13]

Citigroup's 2008 report (available upon request) entitled, "CenterPoint Energy Houston Electric (CEHE) Securitization," said:

> "On Jan. 29, 2008, CEHE priced one of the most successful asset-backed securities (ABS) offering in many months, attracting both traditional asset-backed buyers and corporate "crossover" investors."

---

12 *See, e.g.*, "Consumer ABS Weekly", Citigroup Research, which publishes rates for auto ABS for 2 and 3 years only.

13 See PSE&G Transition Funding II, LLC, MP Environmental Funding, LLC, PE Environmental Funding, LLC ad FPL Recovery Funding, LLC.

"We estimate that each tranche of the CEHE III offering priced approximately 15-25 bp inside of like-maturity credit card securities."

That report even cited as corroborating evidence a **Citigroup January 24, 2008 research report**[14], (with added, circling the spreads in their CEHE report) for comparable securities, as shown to the right.

Indeed, the 2008 offering sold, according to Citi, with a 5-year tranche at +64 bps over swaps and the 10.5-year tranche at +94 bps over swaps. Both spreads were considerably narrower on a "relative value" basis than those indicated by Citigroup Fixed Income Research for credit card or other utility securitizations widely recognized by ABS professionals as the sole comparable security in the ABS market.[15]

Citi Bond Market Roundup: Strategy — Data Appendix, January 25, 2008

		24 Jan 08 Spread (bp)
Triple-A		
2-Yr	Auto	75
	Credit card	58
	Equipment	85
	Stranded Assets	63
3-Yr	Auto	100
	Credit card	68
	Equipment	110
	Stranded Assets	73
5-Yr	Credit card	78
	Stranded Assets	83
7-Yr	Credit card	90
	Stranded Assets	95
10-Yr	Credit card	110
	Stranded Assets	115

Consumer ABS Weekly
18 July 2013

Figure 4. Consumer ABS Fixed-Rate Spreads to Swaps

		18 Jul 13 Spread (bp)
Triple-A		
2-Yr	Auto	28
	Credit card	20
	Equipment	45
→	Stranded Assets	28
3-Yr	Auto	35
	Credit card	25
	Equipment	50
→	Stranded Assets	34
5-Yr	Credit card	35
→	Stranded Assets	45
7-Yr	Credit card	50
	Stranded Assets	60
10-Yr	Credit card	55
	Stranded Assets	70

Unfortunately for OPCo ratepayers, in connection with the PIR Bonds, Citigroup appears to have negotiated interest rates with the PUCO's advisors with credit spreads *much wider* than its own research estimates.

The most recent data available to PRAG-Oxford before the PIR Bonds were priced included a **similar July 18 2013 Citigroup research report** (arrows and circles added). (Recall that the pricing was on July 23.) That report showed spreads in their Figure 4 (to the left) over swaps for comparable securities.

Based on those reported spreads, OPCo's 2-year tranche, priced at +40 bps over swaps, was actually *+12 to 20 bps wider* than the spreads for utility securitizations or credit card ABS, respectively. The 5-year tranche at +52 bps over swaps was

14 See "Citi Bond Market Roundup: Strategy- Data Appendix," Citigroup Research, January 28, 2008

15 In addition, utility securitization bonds are more comparable to highest quality utility and corporate including government sponsored agency bonds. Utility securitization bonds have special government i.e., regulatory backing and a pledge of non-interference by the state with U.S. constitutional protections. Unlike typical asset-backed securities, the obligation to repay in utility securitizations is cross-shared among generally all electricity customers in the utility's service territory. There is no finite pool of receivables as in ABS. In any pricing, choosing, the right bonds to compare to is an important sales point and must be done carefully otherwise it leads to higher interest costs as demonstrated in the OPCO and the First Energy pricings.

+7 bps wider than utility securitizations and +17 bps wider than credit card ABS.

PRAG-Oxford seem to have ignored these estimates - from the research of its lead underwriter - when they attested that "the PIR Bonds reflect a market price of most recently issued comparable securities." If PUCO's the PIR Bonds had been priced with credit spreads just equal to other utility securitizations, as estimated by the Citigroup research report (still wider than credit card ABS, not narrower as Citigroup boasted in 2008), ratepayers would have *saved an additional $724,000.*

Given the contrast between the PIR Bonds pricing at wider spreads to benchmark swaps than credit card ABS, while similar issues in other states have sold at narrower spreads to swaps than credit card ABS, diligent financial advisors should be concerned. They should ask why proposed pricing levels are much worse than fixed-income research or previous sales would suggest. When investors, bankers and rating agencies agree that utility securitizations are safer, lower risk bonds than those backed by credit card receivables, why should OPCo's new issue of PIR Bonds sell with higher yields and wider credit spreads than credit card ABS issues, let alone other high quality corporate or other more appropriate comparables?[16]

Today, 2013, market conditions for utility securitization bonds are better than 2008. In fact, all independent observers agree that utility securitizations performed *better* during the credit crisis than other structured securities. For example, S&P published a report in 2009 entitled "The Recession has Not Been Hard on "Ratepayer Obligation Charge" Bonds," their term for utility securitization bonds. At a time when even U.S. Treasury debt lost its triple-A rating, no utility securitization has ever lost its top AAA rating, or been put on a watch list as a candidate for downgrading.

Even a co-manager of the OPCo bonds, Wells Fargo, concluded in a July 2013 research report that ratepayer bonds were a better "credit" than credit card ABS (with no mention at all of auto ABS as comparable). He pointed out to investors that while the utility securitization are a better credit that are being priced *higher* than credit card ABS and therefore a better value to investors.[17] This kind of discrepancy needs to be eliminated or reduced by the diligent efforts of the financial advisor to create a more competitive marketplace for PIR Bonds in negotiations.

If underwriters claimed they couldn't find buyers to pay close to relative value, perhaps additional firms should have been added to the selling group and adequately rewarded for uncovering demand from investors willing to accept lower yields closer to the inherent value received.

If investors were unaware of utility securitizations or resisted lower yields in exchange for greater security, they should have been educated about how such ratepayer bonds provide both higher credit quality and more predictable repayment schedules than asset-backed securities.

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16 See the pricing of 19-year MP Environmental Funding and PE Environmental Funding utility securitization bonds, December, 2009 that priced at +62 to US Treasuries when Goldman Sachs who had been lead manager for another utility securitization estimated that the bonds would require a yield of +106 to US Treasuries to be sold. Jefferies/The Williams Capital Group were underwriters and Saber Partners, LLC was financial advisor to the commission and joint decision-maker with the issuers.

17 *See* "Absolute Value: Rate Reduction Bond ABS Primer" Wells Fargo Securities, July 17, 2013.

As has been shown on numerous other transactions, increased marketing for greater competition among underwriters and investors can achieve more efficient (*i.e.*, lower) pricing.

Active Marketing Efforts Demonstrably Drive Pricing Lower

The PRAG-Oxford report states that "the underwriters pre-marketed the transaction starting on Wednesday, July 17, 2013 and continued that process through Friday, July 19, 2013." The deal was "announced" the following Monday and priced on Tuesday, July 23. If this was the extent of the marketing, based on the results described in this analysis, it appears to have been insufficient.

While our analysis is primarily focused on the specific structure and pricing, it is important to understand that marketing efforts significantly impact the ultimate cost of the PIR Bonds. Complex securities need to be "sold" to investors. Also, a broad group of appropriate investors needs to be identified and targeted as part of the marketing effort. Otherwise, a small group of investors may demand too high a premium or there may not be enough competition for the issue. These lead to higher costs.

Based on available information, the marketing for the PIR Bonds seems to have been unnecessarily abbreviated and passive.

After filing a registration statement with SEC, active marketing for indications of interest may begin, but not sales. According to the SEC website, OPCo's registration statement was filed with the SEC on May 21, 2013—approximately 2 months before PRAG-Oxford state that "pre-marketing" began. Securities laws also allow for the use of a short "term sheet" in addition to the registration statement, which can discuss the key features of the issue and help assess investor demand. This also gives an opportunity to identify appropriate comparables, as well as dispel any misconceptions about the specific issue.

From the time a registration statement and preliminary prospectus is filed with the SEC, "marketing" may begin. No bonds may be sold during this period or firm orders taken, rather only "indications of interest" may be solicited. However, this is the time that investor education may be conducted without any delay whatsoever of the transaction because a registration statement is on file with the SEC waiting to "go effective" at which time the bonds can be sold. Based on the PRAG-Oxford report, this time between filing and pricing seems to have been wasted and used only for "market update" calls between the underwriters and financial advisor.

Term Sheet and Investor Outreach Are Standard in Utility Securitizations

PRAG-Oxford may now claim that they did talk to some investors. However, based on the timeline described in their report and filings with the SEC, it appears they did so without a term sheet or customary marketing materials to help explain the advantages of ratepayer bonds until the very last minute.[18]

[18] According to SEC filings, there was no term sheet for use in discussions with investors about relative values until July 17, a scant four business days before the pricing.

A meaningful report of a financial advisor's activities on behalf of PUCO would describe the extent of the marketing effort: how many investors were contacted, how many meetings or calls with investors were held, what marketing materials were used. Rather than just quoting the investment bankers, a diligent financial advisor would have been involved sufficiently to also detail the size of the "book" at the time of pricing, how those orders were distributed by size and type of investor, the extent of any "over-subscription" and any resultant repricings, and how many investors participated in the final offering.

Not all AAA-rated securities price alike. And not all AAA-rated utility securitization bonds price alike. There are substantive differences that can cost ratepayers money if they are not identified and addressed appropriately. While a lowest cost standard was not mandated by the legislation or the financing order, this does not mean that those responsible for structuring, marketing and pricing should not try to achieve a best execution.

Final pricing (and cost to ratepayers) is normally the culmination of a thorough and energetic marketing effort. Underwriters and advisors should be willing and able to point to specific actions taken to educate investors and broaden investor demand and negotiate a best pricing, fair to all.

On-Going Costs: Over-Recovery of Costs of Providing Servicing to OPCo

The financing order allows the initial PIR Bond servicer to receive both (i) an upfront payment, designed to allow recovery of its initial set-up costs; and also (ii) a fixed periodic fee, designed to allow the initial servicer and any successor servicer to recover their ongoing costs.[19] Like most utility securitizations, the initial servicer of the intangible property that secures the PIR Bonds is the sponsoring utility. Most commonly for similar transactions since 2007 (including other subsidiaries of AEP), the fee allowed for sponsoring utilities has been an annual fee of no more than 0.05% of the initial principal amount of the transaction. In fact, as shown in **Table 3** below, since 2007, only two of 18 utility securitizations allowed servicing fees in excess of 0.06% per year, excluding the two recent Ohio transactions.

For bankruptcy law reasons, the aggregate fees paid to the sponsoring utility must reflect arms-length fair market value consideration for the services provided. Bankruptcy lawyers generally interpret this to require aggregate fees that will at least cover an allocable portion of the sponsoring utility's fully-allocated costs of providing servicing functions.

The financing order authorizes OPCo, as initial servicer, to receive an annual fee equal to 0.10% of the initial principal amount of the PIR Bonds:

> *"Based upon both estimated costs of performing the servicing function and market precedent for such fees, the Commission determines that the annual servicing fee to be paid to Ohio Power should be 0.10 percent of the initial principal amounts of the PIR Bonds issued by the SPE."*[20]

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19 Because the financing order makes no provision for a successor servicer's recovery of its initial set-up costs, and because a successor servicer presumably would perform no other services in connection with the sponsoring utility, similar financing orders commonly provide for a significantly higher periodic servicing for successor servicers. Thus, page 50 of the financing order allows an annual servicing for successor servicers of up to 0.75% of the initial principal amount of the PIR Bonds.

20 P. 38 of the financing order, Revised Ex. C, March 12, 2013.

For the reasons described above, this represents an allocable portion of the Company's fully allocated costs of providing servicing functions.

Maximum Allowed Annual Servicing Fees

Table 3

Deal #	Deal Name	Principal Amount ($)	Wtd. Avg. Life (yrs.)	Max. Annual Servicing Fee on Initial P.A.
1	Ohio Phase-In-Recovery Funding LLC (7/23/2013)	267,408,000	3.33	0.10%
2	FirstEnergy Ohio PIRB Special Purpose Trust (6/12/2013)	444,922,000	9.29	0.10%
3	AEP Texas Central Funding III (3/7/2012)	800,000,000	6.93	0.05%
4	Centerpoint Energy Transmission Bond Co. IV (1/12/2012)	1,695,000,000	7.10	0.05%
5	Entergy Arkansas Energy Restoration Bonds (8/11/2010)	124,100,000	5.44	0.12%
6	Louisiana Utilities Restoration Corporation Project/ELL (7/15/2010) [taxable munis]	468,900,000	6.63	0.03%
7	Louisiana Utilities Restoration Corporation Project/EGSL (7/15/2010) [taxable munis]	244,000,000	6.62	0.06%
8	MP Environmental Funding LLC (12/16/2009)	64,380,000	19.02	0.05%
9	PE Environmental Funding LLC (12/16/2009)	21,510,000	19.02	0.05%
10	CenterPoint Energy Restoration Bond (11/18/2009)	664,859,000	7.26	0.05%
11	Entergy Texas Restoration Funding (10/29/09)	545,900,000	7.21	0.05%
12	Louisiana Public Facilities Authority (8/20/2008)	278,400,000	5.75	0.06%
13	Louisiana Public Facilities Authority (7/22/2008)	687,700,000	5.83	0.03%
14	Cleco Katrina/Rita Hurricane Recovery Funding LLC (2/28/2008)	180,600,000	7.09	0.05%
15	CenterPoint Energy Transition Bond Company III (1/29/2008)	488,472,000	7.11	0.05%
16	Entergy Gulf States Reconstruction Funding I, LLC (6/22/2007)	329,500,000	8.05	0.12%
17	RSB BondCo LLC (BG&E sponsor) (6/22/2007)	623,200,000	5.60	0.05%
18	FPL Recovery Funding LLC (5/22/2007)	652,000,000	7.15	0.05%
19	MP Environmental Funding LLC (4/3/2007)	344,475,000	12.01	0.05%
20	PE Environmental Funding, LLC (4/3/2007)	114,825,000	12.07	0.05%
	Average			0.06%
	Mode (most common)			0.05%

So long as the sponsoring utility continues to send monthly bills to its retail customers, and based on the experience with other utility securitization transactions, the sponsoring utility generally incurs few if any incremental ongoing costs by reason of its role as servicer in connection with the bonds. Because sponsoring utilities generally are already allowed to recover 100% of their costs of providing general billing and collection functions from ratepayers through their general rate case proceedings, this generally results in a windfall over-recovery of costs unless some provision is made for adjusting the sponsoring utility's other rates and charges.

When it has served as Financial Advisor to State Commissions in connection with the issuance of other utility securitizations, Saber Partners, LLC has ensured that the financing orders and/or Servicing Agreements include specific provisions requiring such adjustments to the sponsoring utility's other rates and charges. For example, the West Virginia PSC's financing order authorizing the issuance of similar bonds for Monongahela Power and The Potomac Edison Company states:

> *"The Applicants shall* ***credit to consumers through other electric rates and charges the amount of the Applicants' Servicing Fee in excess of any recorded periodic incremental costs of*** *performing the Servicing functions."*[21]

We have been unable to find any such provision in the OPCo financing order or Servicing Agreement allowing other rates and charges of the Company's ratepayers to be credited to reflect the Company's over-recovery of costs. If OPCo, like most other sponsoring utilities, incurs no material *incremental* costs that can be demonstrated by reason of its agreement to function as servicer in connection with the PIR Bonds, the full $267,408 of *annual* servicing fee might represent over-recovery of costs.

Summary and Conclusion

Whether the PIR Bonds were priced "consistent with market conditions" is an open question. The PIR Bonds clearly were not structured or marketed so as to take maximum advantage of the known market conditions at the time of pricing. Furthermore, it is difficult to give much credence to PRAG-Oxford's attestations since they reference inappropriate, non-comparable securities and, in the case of the A-2 tranche, non-existent 5-year auto ABS securities.

We conservatively estimate that improved pricing and structuring efforts (use of single-tranche structure and appropriate credit spread benchmarking) could have resulted in savings for ratepayers in the amount of $1,390,074.

In addition, it appears that certain ongoing costs built into the transaction were greater than necessary. The most significant additional cost relates to the ongoing servicing cost of 10 bps/year on the initial principal amount for the life of the bonds, apparently without any provision for crediting the sponsoring utility's revenue requirement for other rates and charges to prevent over-recovery of costs. Based on market precedents described above, this amounts to an additional nominal net cost to ratepayers of $791,082 due to a cap that is 5 bps *above* the norm and another $791,082 because there is no provision to credit fees in excess of actual (and verifiable) incremental costs.[22] If OPCo can demonstrate actual additional unrecovered costs for any future period, this amount could be less. However, since the issue was never raised, we may never know. One of the responsibilities of an experienced financial advisor to a utility commission is to identify these types of issues for review, investigation and decision.

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21 **West Virginia Case Nos. 05-0402-E-CN and 05-0750-E-PC (April 7, 2006), page 86.** *See also* **California PUC D.04-11-015 (November 2004), page 48** ("PG&E shall credit to electric consumers the amount of this servicing fee in excess of any recorded incremental servicing costs."); **Florida PSC Docket No. 060038-EI, Order No. PSC-06-0464-FOF-EI (May 30, 2006), Finding of Fact 114(b)** ("FPL has not justified that the annual fee is necessary to cover any incremental costs to be incurred by FPL in performing ongoing services as servicer. Thus, we find that FPL shall apply to the Reserve all amounts it will receive under the Servicing Agreement for ongoing services.")

22 The forgone savings related to the annual serving fee, while large in the OPCo deal, are many times larger in the FirstEnergy transaction, where the expected final maturity is in 20.57 years rather than just 5.92 years, and the initial principal amount upon which the fee is calculated is 1.7 times as large.

A summary of the potential forgone savings in this transaction (using the conservative single-tranche pricing calculated above) is presented in **Table 4**, below:

Forgone Savings
Table 4

Item	Quantified by	Approximate Nominal Forgone Savings ($)
Pricing based on correct AAA- rated credit card ABS benchmark rather than hypothetical AAA- rated auto ABS benchmark	A-2 pricing at +50 vs. 52 bps	$ 104,148
"Best-Execution" structuring	Conservative estimate of 1-tranche vs. 2-tranche pricing	1,285,926– 2,177,692
Ongoing servicing cost cap consistent with most prior utility securitization transactions	Cap fee at 5 bps/yr. vs. 10 bps/yr. on initial principal amount	791,082
Credit servicing fee in excess of actual (likely zero) incremental cost	Reducing net cost of servicing fee to zero	791,082
Total[23]		**2,972,238– $ 3,864,004**

Simply by using public information, known market conventions and available market research, we conclude that the OPCo PIR Bond transaction left substantial ratepayer savings "on the table." This resulted from mispricing and mis-structuring, and from accepting non-standard upfront and ongoing costs. More experience with structuring, marketing and pricing of utility securitizations specifically, and of the unique history of this market, could have helped Ohio capture these savings for the benefit of OPCo's ratepayers. This likely would have covered the financial advisor's fee many times over.

[23] Note that this total of forgone savings does not explicitly include the amount related to failure to price at the Citigroup published rate for asset backed securities (an additional $724,000), which is a further indication of the conservative nature of the foregone savings shown in this Table 4.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 150171-EI

ERRATA SHEET

WITNESS: **PAUL SUTHERLAND – STAFF**

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3	24	Change "Exhibit No. ____ (PS-1c), FASB ASC;" to "Exhibit No. ____ (PS-1b), Accountants Handbook;"
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4	9	Delete line.
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4	23	Change "2010 to Present; and" to "Spreads – Citigroup vs. J.P. Morgan;"
4	24	Change "Exhibit No. ____ (PS-20), Utility Securitization Transactions since 1997." To "Exhibit No. ____ (PS-19a), AEP Sidley MS Email; and"
4	25	Add ""Exhibit No. ____ (PS-20), Utility Securitization transactions since 1997."
8	11	Change "that securitized" to "that the property collateralizing the securitized"
8	11-12	Change "as" to "as 'financial assets,' and those bonds therefore should not be treated"

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET: 150148-EI EXHIBIT: 63
PARTY: STAFF – (DIRECT)
DESCRIPTION: Paul Sutherland PS-12

PAGE NO.	**LINE NO.**	**CHANGE**
8	12-13	Change "See Exhibit No. ____ (PS-1a), attached to my testimony.)" to "See Exhibit Nos. ____ (PS-1a), ____ (PS-1b), and ____ (PS-1c), attached to my testimony."
12	8	Change "formula, either" to "formula, usually either"
14	13	Delete "____ (PS-2)."
15	6	Delete "Please."
15	17	Delete "have been"
25	15	Change "period)" to "period, excluding the 2012 CenterPoint transaction)"
32	10	Change "(PS-12)." to "(PS-15)."
35	14	Delete "See my"
44	7	Change "(PS-19)," to "(PS-19a),"
Exh (PS-1)		Replace Exhibit with color version of same Exhibit
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Exh. (PS-3)		Replace Exhibit with color version of same Exhibit
Exh. (PS-4)		Replace Exhibit with color version of same Exhibit
Exh. (PS-5)		Replace Exhibit with color version of same Exhibit
Exh. (PS-6)		Replace Exhibit with color version of same Exhibit
Exh. (PS-6a)		Replace Exhibit with color version of same Exhibit
Exh. (PS-7)		Replace Exhibit with color version of same Exhibit
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Exh. (PS-8)		Delete (This is a duplicate of Shoenblum's Exhibit No. ___(HS-1))

PAGE NO.	**LINE NO.**	**CHANGE**
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Exh. (PS-10)		Replace Exhibit with color version of same Exhibit
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Exh. (PS-19)		Replace Exhibit with color version of same Exhibit
Exh. (PS-19a)		Add new Exhibit ____ (PS-19a)

SABER PARTNERS, LLC

Servicer Set-up Costs Estimates ($)

Deal Name	Date of Issuance	Deal Size	Reported Servicer Set-up Fees Set-up fees
Reliant Energy	10/24/01	748,897,000	14,880 †
Central Power & Light ^	2/7/02	797,334,897	43,717 †
Oncor Electric Delivery ^	8/21/03	500,000,000	0 †
TXU Electric Delivery ^	6/7/04	789,777,000	0 †
Centerpoint Energy ^	12/16/05	1,851,000,000	315,200
AEP TCC ^	10/11/06	1,739,700,000	30,000
PE Environmental Funding * ^	4/11/07	114,825,000	N/A
MP Environmental Funding * ^	4/11/07	344,475,000	N/A
FPL Recovery ***	5/22/07	652,000,000	401,382 †
Entergy Gulf States	6/29/07	329,500,000	402,116
Centerpoint ^	2/12/08	488,472,000	149,327
Entergy Texas ^	11/6/09	545,900,000	50,000
Centerpoint Energy ^	11/25/09	664,859,000	45,000
PE Environmental Funding * ^	12/23/09	21,510,000	N/A
MP Environmental Funding * ^	12/23/09	64,380,000	N/A
Louisiana Utilities	7/22/10	468,900,000	50,000
Entergy Arkansas **	8/18/10	124,100,000	140,000
Entergy Lousiana	9/22/11	207,156,000	100,000
Centerpoint Energy	1/19/12	1,695,000,000	PA
AEP TCC ^	3/14/12	800,000,000	N/A
FirstEnergy	6/20/13	444,922,000	300,000
OhioPower ^	8/1/13	267,408,000	N/A
APCo ^	11/15/13	380,300,000	50,000
LIPA	12/18/13	2,022,324,000	50,000
Consumer Energy Company ^	7/22/14	378,000,000	N/A
State of Hawaii ^	11/13/14	150,000,000	353,907
Entergy New Orleans	7/22/15	98,730,000	50,000
ELL & EGSL ***	7/15/10	244,000,000	50,000 †
ELL & LPSC ***	7/15/10	468,900,000	100,000 †
DEF low estimate	1/1/16	1,311,800,000	1,900,000
DEF high estimate	1/1/16	1,311,800,000	2,900,000

† Servicer set-up actual cost, N/A Not available, PA Paid by Applicant.
Source: Issuance Advice Letter, * Pricing Advice Letter, ** Issuance Report Letter, *** Other.
(^) Indicates expenses were capped.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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DESCRIPTION: Paul Sutherland PS-13

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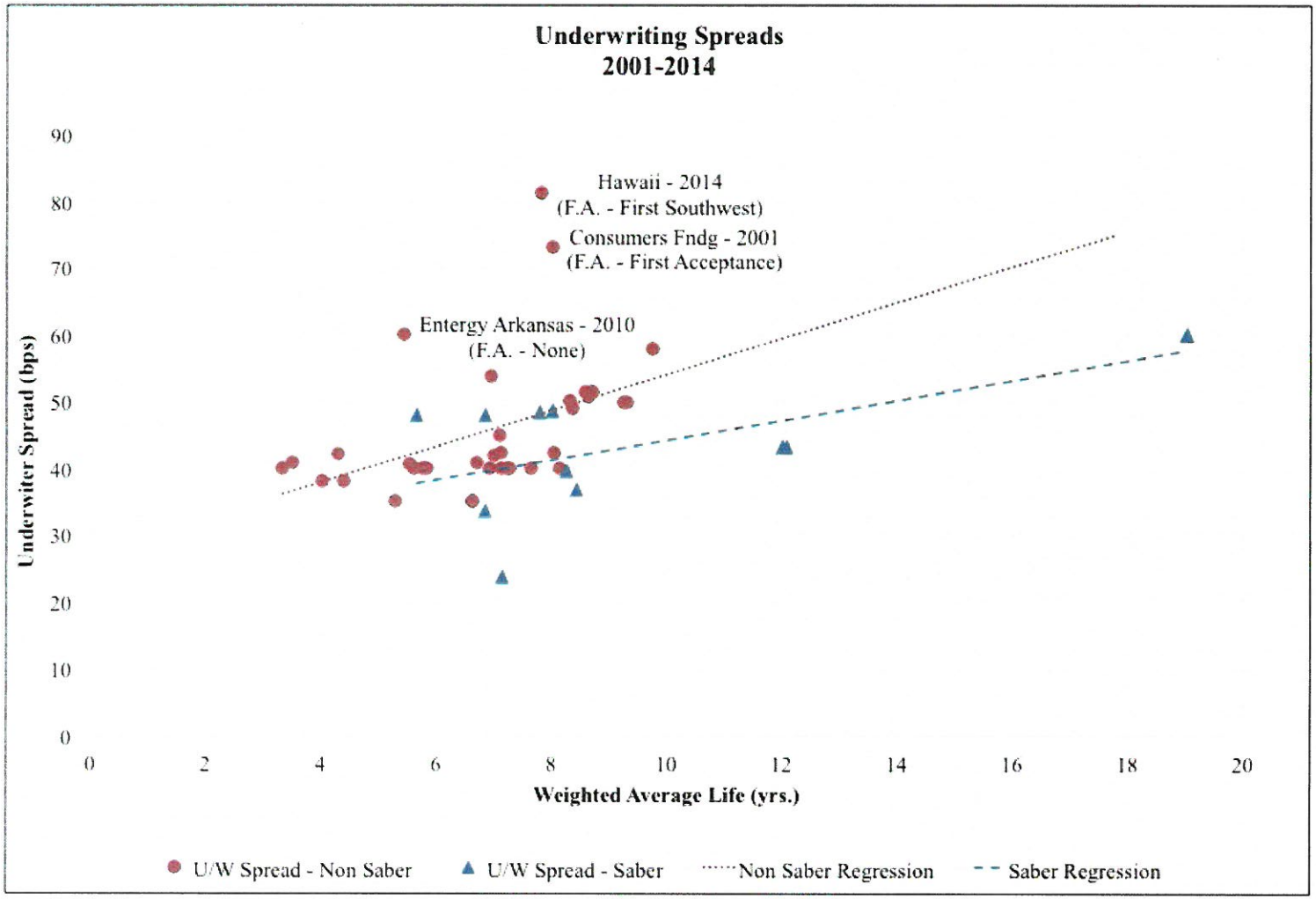

Source: Transaction documents, SEC forms.

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WITNESS: **PAUL SUTHERLAND – STAFF**

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FLORIDA PUBLIC SERVICE COMMISSION
DOCKET: 150148-EI EXHIBIT: 65
PARTY: STAFF – (DIRECT)
DESCRIPTION: Paul Sutherland PS-14

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Reprinted from *Investment Dealers' Digest*, February 11, 2002:

INVESTMENT DEALERS' DIGEST
IDD

A $1Mil Carrot For Co-Managers

Christopher O'Leary (christopher.oleary@tfn.com)

Feb 11, 2002

A recent $797 million stranded utility asset securitization had extremely tight pricing in part because of a deal structure that gave underwriters greater initiative to expand their selling efforts beyond the norm and offered the chance for co-managers to divvy up an additional $1 million bonus based on how well they priced and sold the bonds.

At first glance, the deal seemed like an investor's nightmare-a first-time issue for a Texas power utility, Central Power and Light Co., securitizing assets it received as part of a state power deregulation agreement, the likes of which have been tarred due to the California energy crisis. What is more, the deal was pricing soon after the fall of Enron Corp., which likely would have been a major player in the just-deregulated Texas energy market if it hadn't imploded. Finally, the deal's lead manager, Goldman Sachs, was a marginal player in asset-backed securities, having ranked just fourteenth in global ABS last year.

Yet Goldman and the deal's co-managers pulled off a pricing coup. Prices on most of the deal's tranches were substantially tightened, by more than 10 basis points for some tranches, so that the stranded-asset deal priced in the same range as a typical credit-card securitization, which is considered the ABS market's "gold standard." The deal's pricing range was seven to 34 bps, while comparable stranded-asset deals have had ranges of nine to 67 bps.

What appears to be market prestidigitation can be explained quite simply. The deal's arrangers-issuers CPL Transition Funding LLC (a subsidiary of CPL Co.) and the Public Utility Commission of Texas, along with the latter's adviser, Saber Partners LLC-put together a unique type of structure that made the deal's co-managers a much more integral part of the game. It also offered a $1 million bonus pool to be awarded solely at its discretion to the co-managers based on their performance. The result: pricing so tight that future deals from Texas' deregulation program will likely have a similar carrot-and-stick structure, officials involved with the deal said.

Consider it a reversal of recent fortune. The co-manager slot on a debt financing deal is now generally more political than effectual. Because the lead manager of a deal has become more dominant in how a deal gets allocated and priced, some co-managers wind up essentially serving face time in deals. Also, because of the growing interlinking between lending and debt underwriting, issuers frequently dole out co-manager slots to banks with whom they seek to curry favor, or with which they have done recent business, regardless of such banks' expertise.

This deal turned all that thinking on its ear. What CPL, the PUC and Saber were after was the best performance possible out of their underwriters. Already, by choosing Goldman as a lead manager, the issuers had a hungry underwriter with something to prove. "Goldman did a great job overall," said Joseph Fichera, chief executive officer of Saber Partners.

The real meat, however, was reserved for the co-manager roles. Bear, Stearns & Co., Credit Suisse First Boston, Citigroup/Salomon Smith Barney and Merrill Lynch & Co. were all brought into the fold, and given much greater incentive than normal for such a role. First, the issuers split up the deal's allocation 50/50: Goldman handled 50% of the deal's allocation, while the four co-managers and Goldman divvied up the remainder, a generous allowance, to say the least.

Also, all the underwriters were competing to win a slice of the $1 million prize. "We would judge their performances; it was completely discretionary based upon the decision of the company, the Commission and us," said Saber Partners' Fichera. Top honors for co-managers went to Bear and Merrill.

Orders Crediting Costs above Incremental Costs to Ratepayers

1. California PUC's 2004 Financing Order issued to Pacific Gas and Electric Company (PG&E) (Decision 04 11-015 and 41 ("To the extent PG&E's incremental costs to provide this service are less than the servicing fee revenue from the Bond Trustee, PG&E will return that excess revenue to consumers through the ERBBA.");

2. New Jersey BPU's 2005 Financing Order issued to Public Service Electric &Gas Company (BPU Docket No. EF03070532), Ordering Paragraph 22 ("However, if the Servicing Fee is greater than the actual incremental costs to service the BGS Transition Property, other rates of the Petitioner shall be adjusted to reflect the difference between actual servicing costs and the Servicing Fee.");

3. Montana PSC's 1998 Financing Order issued to Montana Power Company (Docket No. D97.11.219; Order No. 6035a), pages 6 and 7 ("The full amount of the market-based servicing fee will be included in the FTA charges. However, as long as Applicant is servicer, Applicant proposes a ratemaking mechanism that will provide a credit to ratepayers equal in value to any amounts it receives as compensation, since these servicing costs will generally be included in the Applicant's overall cost of service.");

4. California PUC's 1997 and 1998 Financing Orders issued to PG&E (Decision 97-09-055 September 3, 1997), Southern California Edison Company (Decision 97-09-056 September 3, 1997), San Diego Gas &Electric Company (Decision 97-09-057 September 3, 1997) and Sierra Pacific Power Company (Decision 98-10-021 June 24,

1998), page 6 ("The full amount of the market-based servicing fee will be included in the FTA charges. However, as long as PG&E is servicer, PG&E proposes a ratemaking mechanism which will provide a credit, after the rate-freeze period, to residential and small commercial ratepayers in PG&E's Rate Reduction Bonds Memorandum Account equal tin value to any amounts it receives as compensation, excepting only amounts needed to cover incremental, out-of-pocket costs and expenses incurred by PG&E to service the RRBs. These types of expenses would include required audits related to PG&E's role as servicer, and legal and accounting fees related to the servicing obligation. Thus, the only net ratemaking impact will be such incremental expenses.").

THE BOND BUYER
Wednesday, August 26, 2015 | as of 3:51 PM ET

REGIONAL NEWS

Louisiana Commission Picks Citi for $1B Sale

JIM WATTS
MAY 16, 2008 1:00am ET

DALLAS - The Louisiana State Bond Commission on Thursday selected Citi as senior underwriter and book-runner on $1.01 billion of taxable utility system revenue bonds to be issued by the Louisiana Public Facilities Authority on behalf of two units of Entergy Inc.

The bonds will provide $721 million of proceeds to Entergy Louisiana LLC and $291 million of proceeds to Entergy Gulf States Inc. The money will reimburse the utilities for the cost of restoring electrical delivery systems in Louisiana after hurricanes Katrina and Rita in 2005, and fund a restoration reserve of $250 million to repair damages from future storms.

The debt will be supported by a 10-year surcharge on electric customers in the state.

Other members of the underwriting team include co-senior manager Morgan Stanley and co-managers JPMorgan, Loop Capital Markets LLC, Stephens Inc, Doley Securities, and Dorsey & Co.

Morgan Stanley served as Entergy's financial adviser as the deal was structured, but said it would resign immediately if picked as part of the underwriting team. However the commission added the stipulation that Morgan Stanley must not serve as a financial adviser to Entergy for 10 years.

If Morgan Stanley does not agree to that provision, JPMorgan would move up to become co-senior underwriter with investment bank Barclays Capital substituted as the fifth co-manager.

The commission gave its preliminary or final approval to $1.3 billion of Gulf Opportunity Zone bonds, including $1.05 billion for projects in parishes located within the competitive capacity pool and $298 million from the capacity dedicated for parishes most affected by the two storms in 2005.

With the approvals, there is $861 million in capacity dedicated to the most affected areas, and only $12 million in the competitive capacity pool.

The drawdown on the dedicated pool included an allocation of $200 million for an ethanol project located in St. James Parish, which is not one of the most affected parishes.

Sponsors of the Tiger State Ethanol LLC project filed suit against the commission two weeks ago in state district court contending they were promised an allocation at the commission's meeting on Dec. 20, 2007. The plaintiffs agreed to drop the suit if the project received a hearing at Thursday's commission meeting.

Whitman Kling Jr., director of the Bond Commission, said it was not unprecedented to take capacity from one pool and allocate it to projects outside the area.

"This isn't the first time this has happened," Kling said. "Some of the GO Zone projects approved today were charged against the competitive pool but they are located in parishes within the dedicated pool. Even though there is money in the dedicated pool there just was no remaining capacity for that specific parish."

Projects that receive final approval for an allocation of GO Zone bonds have 120 days to sell the bonds or the capacity is returned to the appropriate pool. Kling said all the bonds with allocations set to expire June 9 have closed, as has a $250 million allocation set to expire June 22.

Projects receiving an allocation of GO Zone bonds at the meeting included $50 million for a new research and technology facility at Louisiana State University in Baton Rouge, $135 million for Dynamic Fuels LLC to develop a renewable synthetic fuel manufacturing facility in Geismar; $100 million for Cleco Power LLC to rebuild damaged utility property in Iberia, St. Mary, and St. Tammany parishes; and $100 million for REG Destrehan LLC to build a bio-diesel production facility in St. Rose.

The bond commission also approved a proposal by the Orleans Parish School Board to issues $134.2 million of general obligation bonds to refunds GO bonds issued in 1995, 1996, 1997, and 1998.

Ordering Paragraphs

The following Ordering Paragraphs specify that the commission, acting through its financial advisor, had equal rights with the utility to approve or disapprove the proposed pricing, marketing and structuring of the bonds before the decision was made:

1. Ordering Paragraph 26 of the Texas PUC's 2005 Financing Order issued to CenterPoint (PUC Docket No. 30485);

2. Ordering Paragraph 21 of the Texas PUC's 2002 Financing Order issued to Central Power & Light (Docket No. 21528);

3. Ordering Paragraph 21 of the Texas PUC's 2002 Financing Order issued to TXU Electric (Docket No. 21528);

4. Ordering Paragraph 21 of the Texas PUC's 2002 Financing Order issued to Reliant Energy (Docket No. 21665);

5. Ordering Paragraph 17 of the New Jersey BPU's 2005 Financing Order issued to PSE&G (BPU Docket No. EF03070532);

6. Ordering Paragraph 7 of the Wisconsin PSC's 2004 Financing Order issued to Wisconsin Electric Power Company (Docket No. 6630-ET-100).

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 150171-EI

ERRATA SHEET

WITNESS: **PAUL SUTHERLAND – STAFF**

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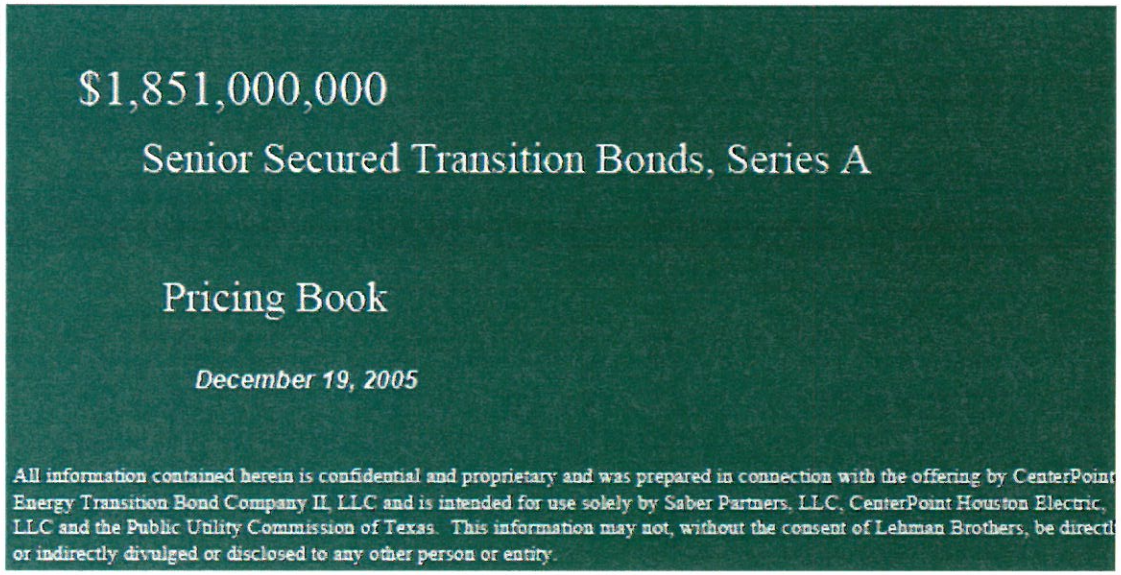
Confidential

CenterPoint Energy Transition Bond Company II, LLC

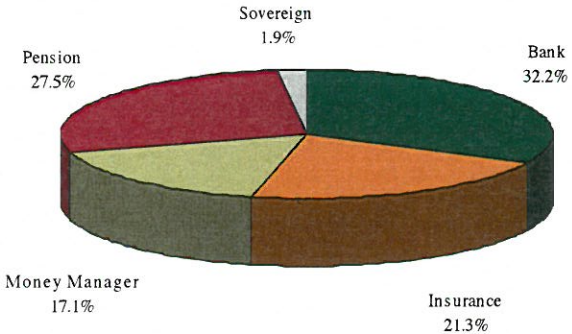


Investors

Investor Participation Profile – Investor Type

Investor Type	Amount	Percentage[1]	Percentage of Disclosed Total[1]	Number of Unique Disclosed Investors
Bank	504,000,000	27.2%	32.1%	6
Pension	431,000,000	23.3%	27.5%	1
Insurance Money	334,500,000	18.1%	21.3%	12
Manager	270,100,000	14.6%	17.2%	15
Sovereign	30,000,000	1.6%	1.9%	2
Disclosed Total	**1,569,600,000**	**84.8%**	**100.0%**	**36**
Total Co-Manager Undisclosed	68,400,000	3.7%		
Total Lead Manager Long	213,000,000	11.5%		
Total Bonds	**1,851,000,000**	**100.0%**		

Percentage of Disclosed Total



1. *Figures may not sum to totals due to rounding*

Investors

Investor Participation Profile – Investor Location

Investor Location	Amount	Percentage[1]	Percentage of Disclosed Total[1]	Number of Unique Disclosed Investors
U.S.	1,056,850,000	57.1%	67.3%	32
Europe	491,750,000	26.6%	31.3%	2
Africa	19,000,000	1.0%	1.2%	1
Asia	2,000,000	0.1%	0.1%	1
Disclosed Total	**1,569,600,000**	**84.8%**	**100.0%**	**36**
Total Co-Manager Undisclosed	68,400,000	1.9%		
Total Lead Manager Long	213,000,000	11.5%		
Total Bonds	**1,851,000,000**	**100.0%**		

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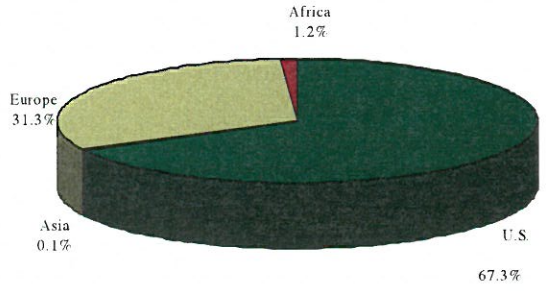

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Investors

Investor Participation Profile – Investor Universe

Investor Universe	Amount	Percentage[1]	Percentage of Disclosed Total[1]	Number of Unique Disclosed Investors
ABS	805,250,000	43.5%	51.3%	19
20% Risk Weighting	491,750,000	26.6%	31.3%	2
Corporate	247,000,000	13.3%	15.7%	13
Agency	25,600,000	1.4%	1.6%	2
Disclosed Total	**1,569,600,000**	**84.8%**	**100.0%**	**36**
Total Co-Manager Undisclosed	68,400,000	3.7%		
Total Lead Manager Long	213,000,000	11.5%		
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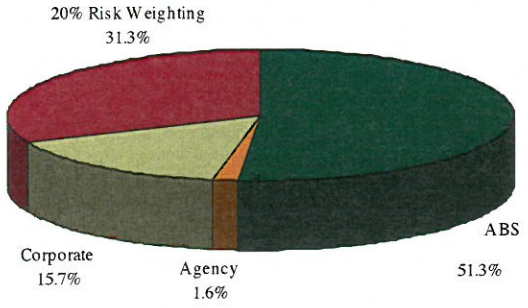

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Docket No. 150171-EI
Witness: Sutherland
Investor Participation Profile
Updated 9/9/15
Exhibit No. ____ (PS-17), 4 of 4

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STANDARD &POOR'S

RATINGSDIRECT®

July 8, 2009

The Recession Hasn't Been Hard On "Ratepayer Obligation Charge" Bonds

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Weili Chen, New York (1) 212-438-6587; weili_chen@standardandpoors.com

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Table Of Contents

The Recession Hasn't Been Hard On "Ratepayer Obligation Charge" Bonds

Some investors may know them as stranded-cost bonds or rate-reduction bonds. These days, Standard & Poor's Ratings Services is calling them ratepayer obligation charge (ROC) bonds, and they're gaining market attention again because of their strong performance during this recession. ROC bonds are backed by usage-based charges that, pursuant to state statutes, electric utilities may assess and collect from their customers. To date, utilities have issued approximately $40 billion of these bonds, all of which have retained their 'AAA' ratings. Over the past 15 years, many of them have performed through severe natural disasters, an energy market crisis, one major utility bankruptcy, and now, the worst U.S. recession in 50 years.

The strong performance of these bonds, along with the funding efficiency they've given utilities and ratepayers, has, in our view, encouraged market participants to find new uses for them. Originally, ROC bonds were associated with stranded costs from the late 1990s and early 2000s--costs that utility companies incurred that they weren't able to recoup because of industry deregulation. Standard & Poor's believes that the ROC bond sector may be poised to play a larger role in funding prospective investments in the U.S. energy sector, such as construction of nuclear power plants or environmentalremediation.

ROC Bonds Are Outperforming Other ABS Asset Classes

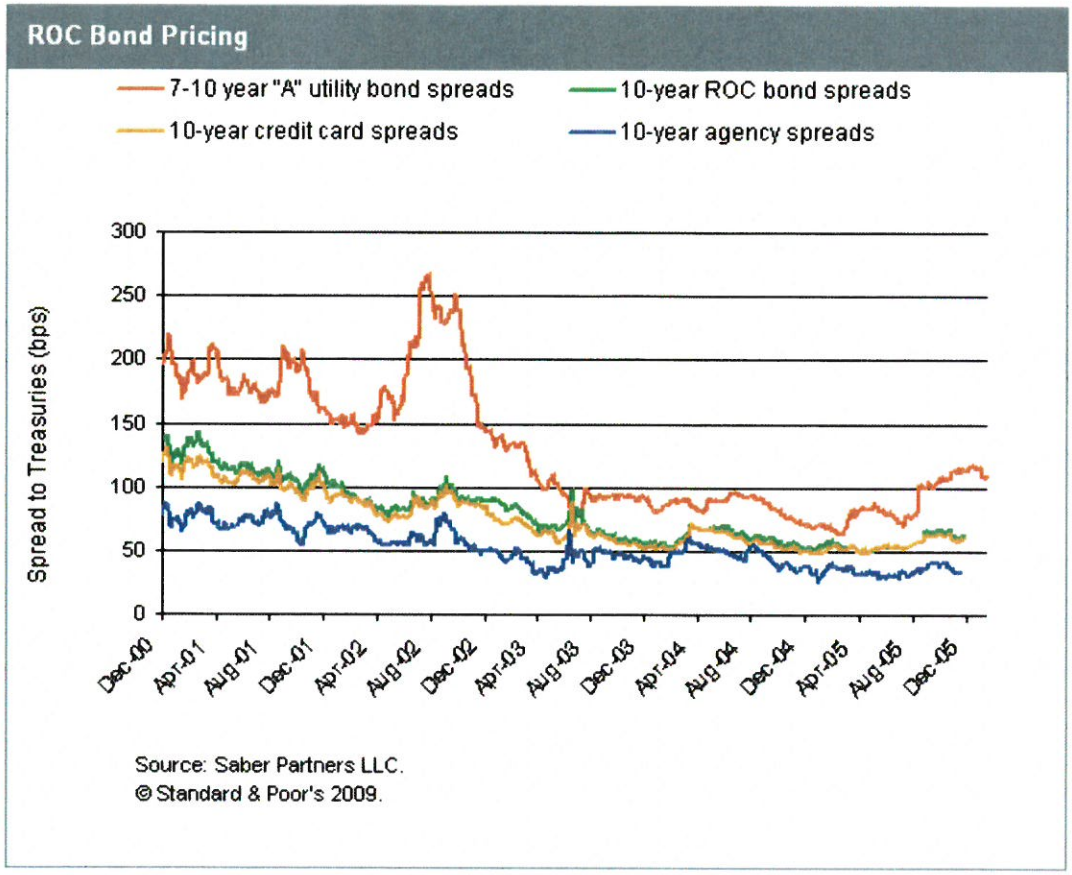
This recession has led to downgrades of some asset-backed securities (ABS) backed by consumer assets--such as auto loans, auto leases, and credit cards--due to poor collateral performance. According to our data, however, ROC bonds have shown no material weakness in performance to date.

Current spread levels for ROC bonds, when compared with those for other benchmark ABS bonds, appear to us to reflect this credit stability. According to secondary-market participants, as of the end of May, some five-year "stranded-utility" bonds were trading around 75 basis points (bps) inside the spreads of 'AAA' credit card ABS of the same tenor (duration). And some 10-year ROC bonds were trading closer to Small Business Administration (SBA) guaranteed pooled certificates, which we understand many market participants consider to be benchmark government-sponsored-entity (GSE) securities due to their government guarantee. Although we believe the secondary market is fairly thin, most supplies are trading at a premium, according to market sources.

ROC bonds' general immunity to prepayment risk may be another positive factor behind their currently strong pricing, in our opinion. It wasn't always this way, though. Before 2007, many ROC transactions attempted to achieve pricing parity with benchmark credit card ABS or GSE debt (see chart 1). According to one industry source, Saber Partners LLC, new-issue pricing spreads of ROC bond issues in five states closely tracked those of comparable 'AAA' credit card ABS, but, for the most part, remained higher until the beginning of the current credit market dislocation.

The Recession Hasn't Been Hard On "Ratepayer Obligation Charge" Bonds

Chart 1



We Expect The Stable Performance To Continue

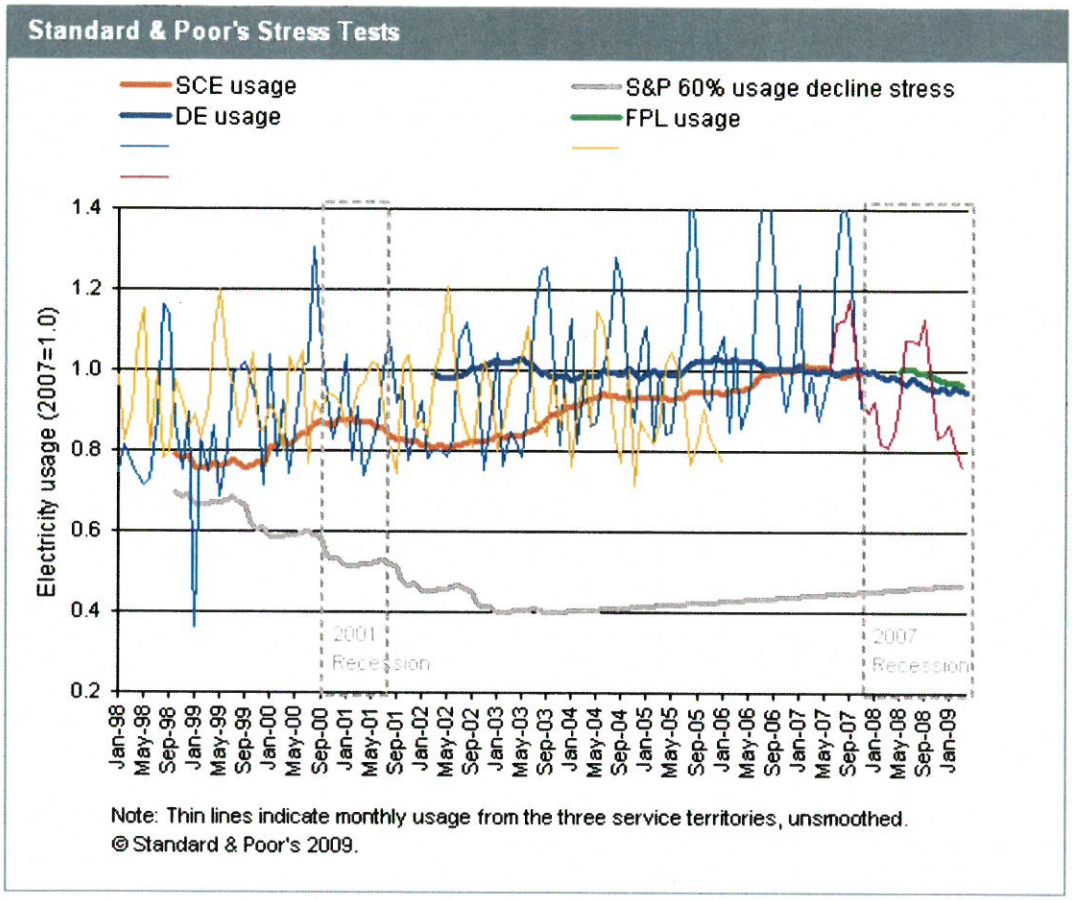
Over the past 15 years, the ROC bond sector has faced--and, we believe, withstood--several shocks, including the 2001 California energy crisis, which brought Pacific Gas and Electric Co. (PG&E), a ROC-bond issuer and servicer, to bankruptcy. Natural disasters have struck as well. Hurricane Rita, for example, shut down the Houston metropolitan area (a major ROC service territory) for days, yet failed to result in a material reduction in collections.

The current recession has had disproportionate effects on the country geographically, hitting some states, such as Michigan and Florida, the hardest. Both of these states fall in service territories whose utilities have issued ROC bonds. Such territories include Southern California Edison (SCE), Detroit Edison (DE), and Florida Power & Light (FPL). Usage trends have shown modest declines, consistent with the 2001 recession (and the California energy crisis) for SCE and with the 2007 recession for Detroit Edison and FPL. In contrast, in our 'AAA' stress tests, we assume a usage decline of between 60% and 80% (see chart 2).

Our 'AAA' stress test for the SCE service territory contains five consecutive usage declines of 12% for each of the first five years of the transaction's life. The scenario further assumes an increase in usage at the long-term growth rate of 2%-3% following the initial five-year annual decrease of 12%. In our view, the magnitude of this stressed usage decline scenario reflects the combination of population decline, migration of commercial and industrial users

out of the service territory, and the increased use of onsite generation, which may entitle customers to bypass the related usage charge.

Chart 2



Our usage patterns show that use of electricity in regions suffering from double-digit unemployment in recent years (Michigan and Florida), devastating natural disasters (Texas), and rolling blackouts (California) remained within our 'AAA' stress factors for the ROC bonds that we rate.

The Statutory True-Up Mechanism Supports The 'AAA' Ratings

State statutes require the utilities to perform and the regulators to implement a periodic true-up, which is a reassessment of the level of the charge to electricity users for the purpose of satisfying debt service in full and on time. In its simplest form, this feature essentially makes a service territory's ratepayers (including residential, commercial, industrial, and governmental) into "joint and several" obligors, allowing, for example, a 10% drop in industrial electricity usage in one period to be mitigated (i.e., made whole) by an increase in charges to all other ratepayers in the next collection period.

Once the related legislation passes, this statutory true-up mechanism is irrevocable until the ROC bonds are paid off. Unlike the general obligations of state and local governments, ROC bonds are insulated from the periodic

budgetary process, generally allowing the bonds to have higher ratings than those backed by the general obligations of state and local governments.

We believe the political environment may be shifting in favor of ROC bonds as ratepayers recognize the projected lower funding costs associated with the bonds' 'AAA' ratings. ROC bonds also tend to allocate a lower amount of collections for debt service than do the bonds that utilities issue. This "dollar-revenue-for-dollar-debt," or 1x debt service coverage, can be a highly efficient financing feature.

Their Names May Have Changed, But Their Versatility Keeps Growing

In recent years, ROC bonds have gone by a variety of names as market participants tried to capture their uses, including:

- Stranded-cost bonds.
- Rate-reduction bonds. (Although bond issuance generally causes a slight increase in the ratepayers' all-in utility bill, the relatively cheaper financing costs result in a relatively lower charge increase on the ratepayers.)
- Energy or storm-recovery bonds.
- Environmental trust bonds.

We believe this "identity crisis" is actually a testament to the versatility of this financing alternative as utility regulators and ratepayer advocacy groups look to expand its applications. It's no longer just about the historical "stranded costs," because the assets and service territories now go beyond the states that were deregulated. Right now, based on our observations, utilities are focusing on funding their future investments and mandated costs.

Standard & Poor's expects this financing technique will play a larger role in the funding of future energy-related and other public projects. We're now seeing the application of ROC securitizations for renewable portfolio standards and carbon emissions credits. Progress Energy Florida also recently attempted to use ROC bonds to fund the construction of a nuclear power plant. As interest in the ROC bond sector expands, we will continue to update the market on its developments.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 150171-EI

ERRATA SHEET

WITNESS: **PAUL SUTHERLAND – STAFF**

PAGE NO.	LINE NO.	CHANGE
3	23	Change "RRBs not ABS for Financial Reporting" to "Securitized Utility Property Not A Financial Asset;"
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3	25	Change "Exhibit No. ____ (PS-1b), Accountants Handbook;" to "Exhibit No. ____ (PS-1c), FASB ASC;"
4	9	Delete line.
4	10	Delete line.
4	13	Change "Credit Spreads for Auto Loan ABS vs. Credit Card ABS;" to "Saber Partners Report – Analysis of Ohio Power Pricing;"
4	23	Change "2010 to Present; and" to "Spreads – Citigroup vs. J.P. Morgan;"
4	24	Change "Exhibit No. ____ (PS-20), Utility Securitization Transactions since 1997." To "Exhibit No. ____ (PS-19a), AEP Sidley MS Email; and"
4	25	Add ""Exhibit No. ____ (PS-20), Utility Securitization transactions since 1997."
8	11	Change "that securitized" to "that the property collateralizing the securitized"
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44	7	Change "(PS-19)," to "(PS-19a),"
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Exh. (PS-1b)		Replace Exhibit with color version of same Exhibit
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Exh. (PS-6a)		Replace Exhibit with color version of same Exhibit
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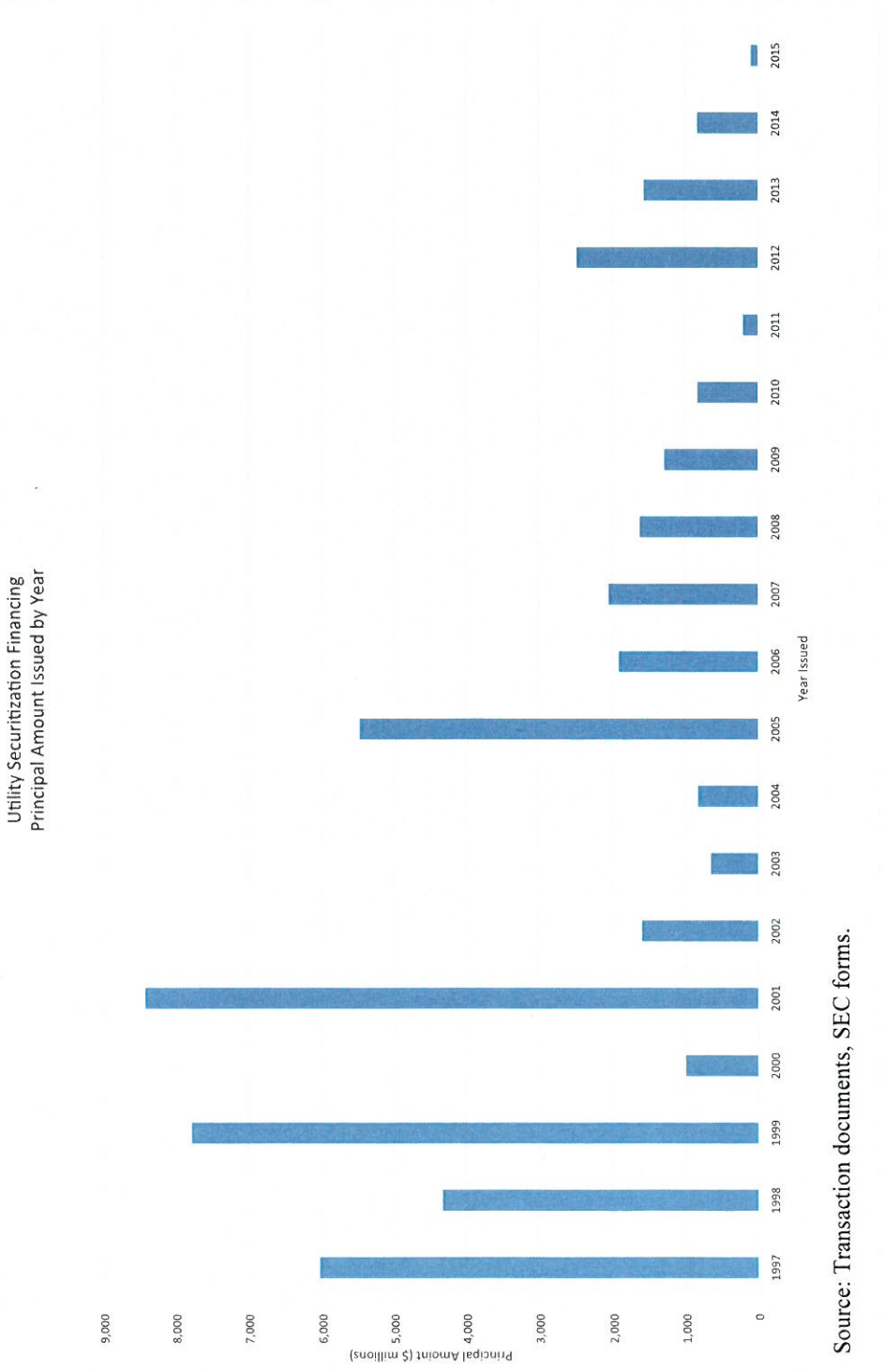

Source: Transaction documents, SEC forms.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 150171-EI

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FLORIDA PUBLIC SERVICE COMMISSION
DOCKET: 150148-EI EXHIBIT: 72
PARTY: STAFF – (DIRECT)
DESCRIPTION: Paul Sutherland PS-19

PAGE NO.	**LINE NO.**	**CHANGE**
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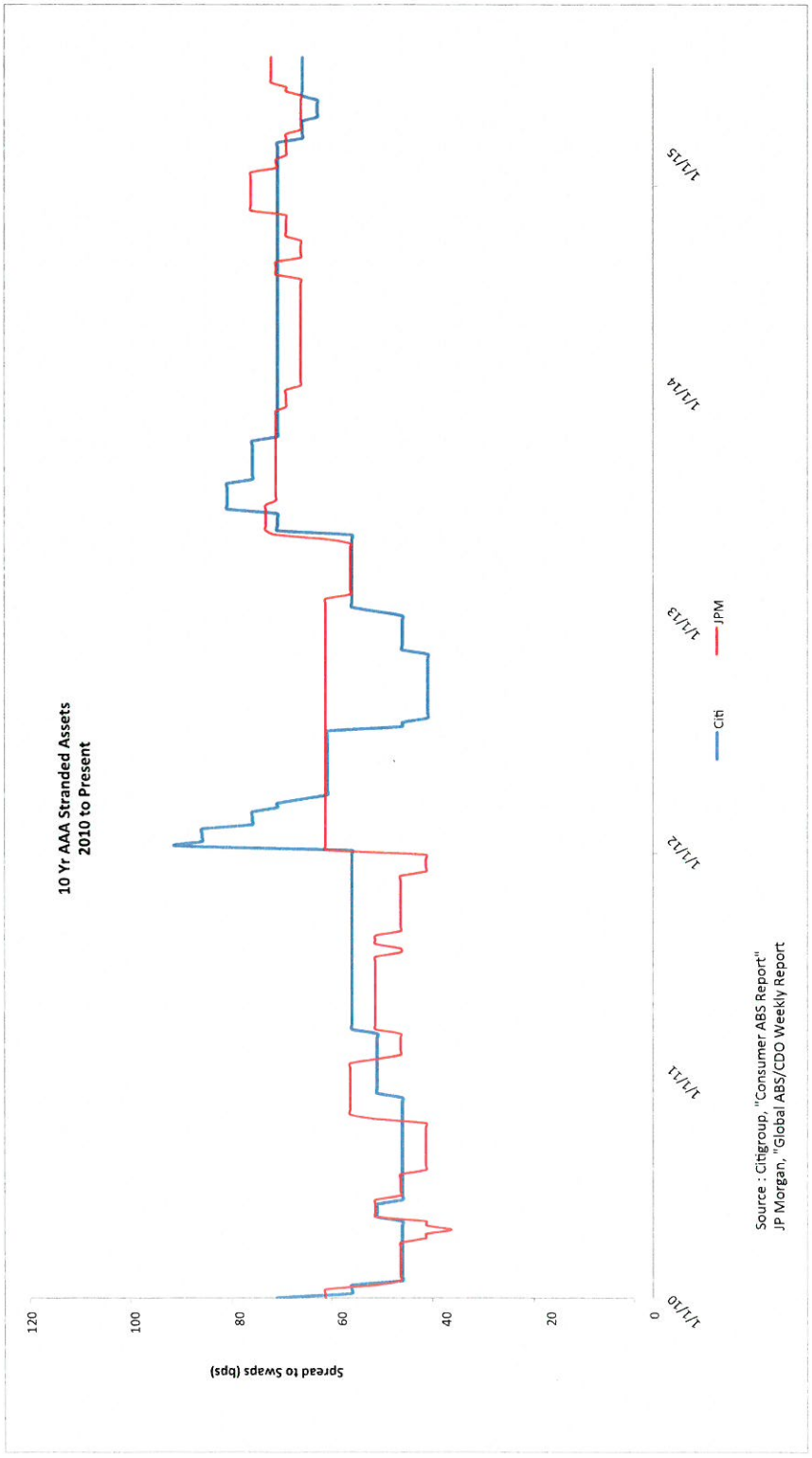
SABER PARTNERS, LLC



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FLORIDA PUBLIC SERVICE COMMISSION
DOCKET: 150148-EI EXHIBIT: 73
PARTY: STAFF – (DIRECT)
DESCRIPTION: Paul Sutherland PS-19a

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Walter, Jamie

From: mbrello@aep.com

Sent: Wednesday, November 23, 2011 6:23 PM

To: Senator Daniels; Senator Balderson; Senator Seitz; McNab, George; Shawn Nelson; Michael Frazier; district34@ohr.state.oh.us; district21@ohr.state.oh.us; district42@ohr.state.oh.us; McMahon, Vanessa; shawn.kasych@ohr.state.oh.us

Subject: Securitization - Least Cost Standard research/commentary

The email chain below is the result of our request to the bond attorneys at Sidley Austin to research "Least Cost Standard" language in other state's securitization statutes. As you know the OCC has requested adding language to the bill requiring a least cost standard. What we have found, in short, is that requiring such a standard in law leads to greater expenses than savings. Many of the states leave it to the commission to issue in a financing order, if the commission deems necessary. This commission discretion would be allowed under the current version of the bill.

Skip to the "commentary" section of the first email at the bottom of page for a good summary of the research.

Please feel free to call with any questions 614/204-8668.

Thanks,
Mike

----- Forwarded by Thomas G Berkemeyer/OR2/AEPIN on 11/23/2011 07:44 AM -----

"Atkins, Charles N." <Charles.Atkins@morganstanley.com>

11/22/2011 06:48 PM

To "'Tashman, Eric D.'" <ETashman@Sidley.com>, <tgberkemeyer@aep.com>

cc "Hochberg, Kevin J." <khochberg@sidley.com>, <rvhawkins@aep.com>

Subject RE: Overview of Securitization Legislation-Lowest Cost Test and Recent Securitization Legislation

I agree with Eric. The more recent statutes have not included the Texas lowest cost language....and I do have one experience in Texas where the interpretation of the language led to transaction delays...Bond structuring should not be legislated...The actual bond pricing process will be very transparent--the orders from investors for particular tranches will be clearly portrayed in the underwriter's order book.....

From: Tashman, Eric D. [mailto:ETashman@Sidley.com]
Sent: Tuesday, November 22, 2011 6:34 PM
To: tgberkemeyer@aep.com
Cc: Hochberg, Kevin J.; Atkins, Charles N. (GCM)
Subject: RE: Overview of Securitization Legislation-Lowest Cost Test and Recent Securitization Legislation

Tom: As an addendum to my commentary below, it should be noted that a lowest cost certification by the utility and/or the underwriters, while not required by statute, has been required in the recent financing orders issued in Louisiana and (of course) Texas. (The Arkansas commission did not require one, but it is an exception.) So, the

requirement for the certification has been pretty universal, regardless of the language of the statute. I don't think it will

be possible to argue (persuasively) that a lowest cost certification (in one form or another) in a financing order is either inappropriate or uncommon. I think the argument is merely about whether the lowest cost standard needs to be in the statute, or whether it is best to leave it to the discretion of the Commission to implement in the financing order. Charles may have some additional thoughts. Eric

From: Tashman, Eric D.
Sent: Monday, November 21, 2011 12:59 PM
To: tgberkemeyer@aep.com
Cc: Hochberg, Kevin J.
Subject: RE: Overview of Securitization Legislation-Lowest Cost Test and Recent Securitization Legislation

Statutory Research.

The Texas statute (originally enacted in 1999) requires the Commission, among other things, "to ensure that the structuring and marketing of the transition bonds result in the lowest transition bond charges consistent with market conditions and the terms of the financing order." Tex Utilities Code Section 39.302. This "lowest cost language" is not unique. Similar language is found in some other early stranded cost statutes (although it is framed as a Commission-required finding rather than a Commission mandate).

New Jersey (1999 stranded cost legislation, as amended in 2002): " the structuring and pricing of the bonds will assure that the customers pay the lowest transition bond charges consistent with market conditions and the terms of the [financing order]..." NJ Rev Stat 48:3-62.

The 2000 Michigan stranded cost legislation (Mich Rev Stat 460.10(i)(2)) contains similar language.

consistent with market conditions)

In contrast, other early stranded cost statut simply required that customer rates would be reduced if the bonds were issued. See California; Mass; Conn

lines 390-394

SB 248

optimizing

The language in the proposed Ohio legislation (H.B. Section 364-Section 4928.232(D)(2)), however, reflect the approach of more recent securitization statutes. (See **Commentary** below) The proposed Ohio legislation requires that the issuance of the bonds is "both reasonably expected to result in cost savings to customers and reasonably expected to mitigate rate impacts to customers as compared with traditional financing mechanism or traditional cost recovery methods." Language similar to the Ohio bills is found in relatively-recent securitization legislation in Florida, Arkansas, and Louisiana, as illustrated below.

Arkansas (2009):

The financing order shall determine that "the proposed structuring, expected pricing and financing costs [of the bonds] are reasonably expected to result in lower overcall cots **or** would mitigate rate impacts to customers as compared with traditional utility financing or other traditional utility recovery methods."Ark Rev Stat. 23-20-103(a)(7).

Substantially identical language is found in 2008 Florida legislation (Fla. Rev Stat 366.8260(2)(b)(2)(b))-hurricane recovery; and 2006 and 2010 Louisiana legislation (La Rev Stat 45:1228(B) and 45:1232(B))-hurricane recovery and investment cost recovery;

Similarly, the 2005 West Virginia environmental control cost legislation required that "the proposed issuance of environmental control bonds will result in overall costs to customers of the [utility] that (1) are lower than would result from the use of traditional utility financing mechanisms; and (2) are just and reasonable." 2005 West Va legislation-West Va. Rev Stat 24-2-4e(d)(3).

Maryland's 2006 rate stabilization securitization legislation simply required that the Commission find that the total amount of revenue to be collected under [the financing order] is less than what would be recovered from customers using the company's weighted average cost of capital. Md Public Utilities Companies Article 7-526.

While Wisconsin's 2003 environmental control cost legislation did include the lowest cost language, it may have reflected the earlier time of it enactment. (The financing order will result in "lower overall costs to customers than would alternative methods of financing ..." and "the proposed structuring and expected pricing of the environmental trust bonds will result in the lowest environmental control charges that are consistent with market conditions and the terms of the financing order." Wisconsin Rev Stat 196.027(2)(b)(1)).

Commentary:

I think the trend of the most recent legislation reflects a more cooperative and flexible legislative approach towards securitization. When securitization legislation was first introduced (in the context of stranded cost recovery), there was skepticism, and even hostility, from ratepayer advocates concerning deregulation efforts and the use of securitization. The required savings test might have been an attempt by the legislatures to address these concerns. Perhaps the agitation of Fichera may also have encouraged the more stringent tests.

However, in the past decade, many ratepayer groups have become advocates (as opposed to opponents or skeptics) of securitization, as the benefits of securitization have been proven. In this more receptive atmosphere, legislatures may feel

less need to impose inflexible statutory tests that might make utilities less inclined to avail themselves of this financing tool. Further legislative efforts in recent years have addressed needs, like storm costs and rate stabilization, where rate shock, rather than cost savings, has been the driving force behind the legislation. In any event, it is safe to say that more recent securitization statutes do not contain the lowest cost test (although when Texas amended its securitization statute to permit hurricane cost recovery in 2005, it incorporated the lowest cost test from its original stranded cost legislation).

Finally, if you are going to use any of the foregoing information for testimony I need to get an associate to check the quotes and cites.

Eric D. Tashman, Esq.
Sidley Austin LLP
555 California Street
San Francisco, CA 94104
(415) 772-1214 (Direct)
(415) 516-2779 (Cell)
(415) 397-4621 (Fax)
etashman@sidley.com
Secretary:
Theresa Willey (415) 772-7429
twilley@sidley.com

Saber Partners, LLC

Utility Securitization Transactions

Deal #	Deal Name	Tranche		Amount	Weighted Average Life
64	Entergy New Orleans Storm Recovery Funding I (7/14/15)	A-1	$	98,730,000	4.98
63	Dept of Business, Econ Devel. & Tourism (Hawaii)	A-1	$	50,000,000	3.05
	(11/04/2014)	A-2	$	100,000,000	10.21
	Taxable muni	Total	$	150,000,000	7.82
62	Louisiana Local Government System Restoration/ELL	A-1	$	91,700,000	3.00
	(7/29/2014)	A-2	$	152,150,000	8.90
	Taxable muni	Total	$	243,850,000	
61	Louisiana Local Government System Restoration/EGSL (7/29/2014) (Taxable munis)	A-1	$	71,000,000	6.72
60	Consumers 2014 Securitization Funding LLC	A-1	$	124,500,000	3.00
	(7/14/2014)	A-2	$	139,000,000	8.00
		A-3	$	114,500,000	12.26
		Total	$	378,000,000	7.64
59	Utility Debt Securitzation Authority [LIPA]	T-1	$	100,000,000	4.91
	(12/12/2013)	T-2	$	100,000,000	5.92
		T-3	$	100,000,000	6.70
		T-4	$	182,934,000	8.77
	NB Total includes taxable debt only. An additional $1.5B of tax exempt debt was issued	Total	$	482,934,000	6.95
58	Appalachian Consumer Rate Relief Funding LLC	A-1	$	215,800,000	5.00
	(11/6/2013)	A-2	$	164,500,000	12.24
		Total	$	380,300,000	8.13
57	Ohio Phase-In-Recovery Funding LLC	A-1	$	164,900,000	2.25
	(7/23/2013)	A-2	$	102,508,000	5.08
		Total	$	267,408,000	3.33
56	FirstEnergy Ohio PIRB Special Purpose Trust	A-1	$	111,971,000	1.60
	(6/12/2013)	A-2	$	70,468,000	5.07
	(Issued as pass-through certificates, backed by bonds	A-3	$	262,483,000	13.70
	issued by CEI, OE and TE)	Total	$	444,922,000	9.29
55	AEP Texas Central Transition Funding III (3/7/2012)	A-1	$	307,900,000	3.00
		A-2	$	180,200,000	7.00
		A-3	$	311,900,000	10.76
		Total	$	800,000,000	6.93
54	CenterPoint Energy Transition Bond Co. IV	A-1	$	606,222,000	3.00
	(1/11/2012)	A-2	$	407,516,000	7.00
		A_3	$	681,262,000	10.82
		Total	$	1,695,000,000	7.10
53	Entergy Louisiana Investment Recovery Funding I, LLC	A-1	$	207,156,000	5.27
	(9/15/2011)	Total	$	207,156,000	5.27

Saber Partners, LLC

Deal #	Deal Name	Tranche		Amount	Weighted Average Life
52	Entergy Arkansas Energy Restoration Funding LLC	A-1	$	124,100,000	5.44
	(8/11/2010)	Total	$	124,100,000	5.44
51	Louisiana Utilities Restoration Corporation Project/ELL	A-1	$	112,000,000	2.00
	(7/15/2010)	A-2	$	111,000,000	5.00
	[taxable munis]	A-3	$	121,000,000	8.00
		A-4	$	124,900,000	10.90
		Total	$	468,900,000	6.63
50	Louisiana Utilities Restoration Corporation Project/EGSL	A-1	$	97,000,000	3.00
	7/15/2010 [taxable munis]	A-2	$	60,000,000	7.00
		A-3	$	87,100,000	10.40
		Total	$	244,100,000	6.62
49	MP Environmental Funding LLC	A-1	$	64,380,000	19.02
	(12/16/2009)	Total	$	64,380,000	19.02
48	PE Environmental Funding LLC	A-1	$	21,510,000	19.02
	(12/16/2009)	Total	$	21,510,000	19.02
47	CenterPoint Energy Restoration Bond	A-1	$	224,788,000	3.00
	(11/18/2009)	A-2	$	160,152,000	7.00
		A-3	$	279,919,000	10.82
		Total	$	664,859,000	7.26
46	Entergy Texas Restoration Funding	A-1	$	182,500,000	3.00
	(10/29/09)	A-2	$	144,800,000	7.00
		A-3	$	218,600,000	10.86
		Total	$	545,900,000	7.21
45	Louisiana Public Facilities Authority	A-1	$	103,000,000	2.66
	(8/20/2008)	A-2	$	90,000,000	6.24
		A-3	$	85,400,000	8.97
		Total	$	278,400,000	5.75
44	Louisiana Public Facilities Authority	A-1	$	160,000,000	1.99
	(7/22/2008)	A-2	$	367,000,000	5.97
		A-3	$	160,700,000	9.32
		Total	$	687,700,000	5.83
43	Cleco Katrina/Rita Hurricane Recovery Funding LLC 2008	A-1	$	113,000,000	5.00
	(2/28/2008)	A-2	$	67,600,000	10.58
		Total	$	180,600,000	7.09
42	CenterPoint Energy Transition Bond Company III	A-1	$	301,427,000	5.00
	(1/29/2008)	A-2	$	187,045,000	10.52
		Total	$	488,472,000	7.11
41	Entergy Gulf States Reconstruction Funding I, LLC	A-1	$	93,500,000	2.99
	(6/22/2007)	A-2	$	121,600,000	7.99
	[N/B. These securities were sold with variable pricing]	A-3	$	114,400,000	12.24
		Total	$	329,500,000	8.05
40	RSB BondCo LLC (BG&E sponsor)	A-1	$	284,000,000	2.99
	(6/22/2007)	A-2	$	220,000,000	6.99
		A-3	$	119,200,000	9.27
		Total	$	623,200,000	5.60

Saber Partners, LLC

Deal #	Deal Name	Tranche		Amount	Weighted Average Life
39	FPL Recovery Funding LLC	A1	$	124,000,000	1.97
	(5/15/07)	A2	$	140,000,000	4.98
		A3	$	100,000,000	7.31
		A4	$	288,000,000	10.38
		Total	$	652,000,000	7.15
38	MP Environmental Funding LLC	A-1	$	86,200,000	4.00
	(4/3/2007)	A-2	$	76,000,000	10.00
		A-3	$	153,250,000	16.00
		A-4	$	29,025,000	20.00
		Total	$	344,475,000	12.01
37	PE Environmental Funding, LLC	A-1	$	28,450,000	4.00
	(4/3/2007)	A-2	$	25,700,000	10.00
		A-3	$	50,700,000	16.10
		A-4	$	9,975,000	19.94
		Total	$	114,825,000	12.07
36	AEP Texas Central Transition Funding II	A-1	$	217,000,000	2.00
	(10/4/2006)	A-2	$	341,000,000	5.00
		A-3	$	250,000,000	7.58
		A-4	$	437,000,000	10.00
		A-5	$	494,700,000	12.68
		Total	$	1,739,700,000	8.44
35	JCP&L Transition Funding II	A-1	$	56,348,000	3.00
	(8/4/2006)	A-2	$	25,693,000	7.00
		A-3	$	49,220,000	10.00
		A-4	$	51,139,000	13.40
		Total	$	182,400,000	8.37
34	Centerpoint Energy Series A	A-1	$	250,000,000	2.02
	(12/9/2005)	A-2	$	368,000,000	5.00
		A-3	$	252,000,000	7.47
		A-4	$	519,000,000	10.01
		A-5	$	462,000,000	12.71
		Total	$	1,851,000,000	8.26
33	PG&E Energy Recovery Funding LLC Series 2005-2	A-1	$	351,000,000	2.00
	(11/3/2005)	A-2	$	372,000,000	5.00
		A-3	$	121,461,000	6.83
		Total	$	844,461,000	4.02
32	West Penn Power	A-1	$	115,000,000	4.24
	(9/22/2005)	Total	$	115,000,000	4.24
31	PSE&G 2005-1	A-1	$	25,200,000	2.00
	(9/9/2005)	A-2	$	35,000,000	5.00
		A-3	$	20,000,000	7.47
		A-4	$	22,500,000	9.16
		Total	$	102,700,000	5.66
30	Massachusetts RRB Special Purpose Trust 2005-1	A-1	$	109,200,000	1.00
	(BEC Funding ll, LLC $265.5M and CEC Funding, LLC $4	A-2	$	154,000,000	2.50
	15/02/2005	A-3	$	266,500,000	5.00
	(Nstar (FKA Boston Edison))	A-4	$	144,800,000	7.40
		Total	$	674,500,000	4.30

Saber Partners, LLC

Deal #	Deal Name	Tranche		Amount	Weighted Average Life
29	PG&E Energy Recovery Funding LLC Series 2005-1	A-1	$	268,000,000	1.00
	(2/3/2005)	A-2	$	647,000,000	3.00
		A-3	$	320,000,000	5.00
		A-4	$	468,000,000	6.50
		A-5	$	184,864,000	7.68
		Total	$	1,887,864,000	4.38
28	Rockland Electric Company	A-1	$	46,300,000	8.70
	(7/28/04)	Total	$	46,300,000	8.70
27	Oncor (TXU) 2004-1	A-1	$	279,000,000	3.00
	(5/28/2004)	A-2	$	221,000,000	7.00
		A-3	$	289,777,000	10.43
		Total	$	789,777,000	6.85
26	Atlantic City Electric	A-1	$	46,000,000	2.97
	(12/18/2003)	A-2	$	52,000,000	8.24
		A-3	$	54,000,000	12.90
		Total	$	152,000,000	8.30
25	Oncor 2003-1	A-1	$	103,000,000	2.00
	(8/14/2003)	A-2	$	122,000,000	5.00
		A-3	$	130,000,000	8.00
		A-4	$	145,000,000	10.83
		Total	$	500,000,000	6.85
24	Atlantic City Electric	A-1	$	109,000,000	3.00
	(12/11/2002)	A-2	$	66,000,000	7.00
		A-3	$	118,000,000	10.50
		A-4	$	147,000,000	15.39
		Total	$	440,000,000	9.75
23	JCP&L Transition Funding LLC	A-1	$	91,111,000	3.00
	(6/4/2002)	A-2	$	52,297,000	7.00
		A-3	$	77,075,000	10.00
		A-4	$	99,517,000	13.40
		Total	$	320,000,000	8.57
22	CPL Transition Funding LLC	A-1	$	128,950,233	1.90
	(1/31/2002)	A-2	$	154,506,810	4.70
		A-3	$	107,094,258	7.20
		A-4	$	214,926,738	10.00
		A-5	$	191,856,858	13.00
		Total	$	797,334,897	8.01
21	PSNH Funding LLC 2	A-1	$	50,000,000	3.50
	(1/16/2002)	Total	$	50,000,000	3.50
20	Consumers Funding LLC	A-1	$	26,000,000	1.00
	(10/31/2001)	A-2	$	84,000,000	3.00
		A-3	$	31,000,000	5.00
		A-4	$	95,000,000	7.00
		A-5	$	117,000,000	10.00
		A-6	$	115,592,000	12.80
		Total	$	468,592,000	8.00

Saber Partners, LLC

Deal #	Deal Name	Tranche		Amount	Weighted Average Life
19	Reliant Energy 2001-1	A-1	$	115,000,000	2.71
	(10/17/2001)	A-2	$	118,000,000	5.19
		A-3	$	130,000,000	7.19
		A-4	$	385,987,000	10.29
		Total	$	748,987,000	7.78
18	Western Mass Electric	A-1	$	155,000,000	7.00
	(5/14/2001)	Total	$	155,000,000	7.00
17	PSNH Funding LLC	A-1	$	75,211,483	1.09
	(4/20/2001)	A-2	$	214,649,395	5.04
		A-3	$	235,139,122	9.99
		Total	$	525,000,000	6.69
16	CL&P Funding LLC	A-1	$	224,858,822	1.18
	(3/27/2001)	A-2	$	255,056,333	3.16
		A-3	$	292,381,624	5.16
		A-4	$	287,907,878	7.02
		A-5	$	378,195,343	8.89
		Total	$	1,438,400,000	5.54
15	Detroit Edison 2001-1	A-1	$	124,540,305	1.50
	(3/2/2001)	A-2	$	179,037,815	3.30
		A-3	$	322,791,421	5.80
		A-4	$	406,722,416	8.80
		A-5	$	326,236,780	11.30
		A-6	$	390,671,263	13.30
		Total	$	1,750,000,000	8.64
14	PECO 2001-A	A-1	$	805,500,000	9.25
	(2/15/2001)	Total	$	805,500,000	9.25
13	PSE&G 2001-A	A-1	$	105,249,914	1.00
	(1/25/2001)	A-2	$	368,980,380	2.90
		A-3	$	182,621,909	4.88
		A-4	$	496,606,425	7.02
		A-5	$	328,032,965	9.38
		A-6	$	453,559,632	11.39
		A-7	$	219,688,870	12.99
		A-8	$	370,259,905	14.27
		Total	$	2,525,000,000	8.69
12	PECO 2000-A	A-1	$	110,000,000	1.11
	(4/27/2000)	A-2	$	140,000,000	2.08
		A-3	$	398,900,000	8.74
		A-4	$	351,100,000	9.33
		Total	$	1,000,000,000	7.18
11	West Penn Power	A-1	$	74,000,000	1.00
	(11/3/1999)	A-2	$	172,000,000	3.00
		A-3	$	198,000,000	5.50
		A-4	$	156,000,000	7.80
		Total	$	600,000,000	4.83

Saber Partners, LLC

Deal #	Deal Name	Tranche		Amount	Weighted Average Life
10	Pennsylvania Power & Light	A-1	$	293,000,000	1.00
	(7/29/1999)	A-2	$	178,000,000	2.00
		A-3	$	303,000,000	3.00
		A-4	$	201,000,000	4.00
		A-5	$	313,000,000	5.00
		A-6	$	223,000,000	6.00
		A-7	$	455,000,000	7.22
		A-8	$	454,000,000	8.75
		Total	$	2,420,000,000	5.17
9	Boston Edison	A-1	$	108,500,000	1.09
	(7/27/1999)	A-2	$	170,600,000	3.13
		A-3	$	103,400,000	5.13
		A-4	$	170,900,000	7.13
		A-5	$	171,600,000	9.63
		Total	$	725,000,000	5.59
8	Sierra Pacific Power	A-1	$	24,000,000	
	(4/8/1999)	Total	$	24,000,000	
7	PECO Energy	A-1	$	244,500,000	1.30
	(3/18/1999)	A-2	$	275,400,000	3.27
		A-3	$	667,000,000	4.04
		A-4	$	458,500,000	5.38
		A-5	$	464,600,000	6.29
		A-6	$	993,400,000	7.28
		A-7	$	896,700,000	8.92
		Total	$	4,000,100,000	6.13
6	Montana Power	A-1	$	64,000,000	
	(12/22/1998)	Total	$	64,000,000	
5	Illinois Power	A-1	$	110,000,000	0.79
	(12/10/1998)	A-2	$	100,000,000	1.79
		A-3	$	80,000,000	2.93
		A-4	$	85,000,000	3.93
		A-5	$	175,000,000	5.17
		A-6	$	175,000,000	7.40
		A-7	$	139,000,000	9.54
		Total	$	864,000,000	5.05
4	Commonwealth Edison	A-1	$	426,600,000	0.88
	(12/7/1998)	A-2	$	423,400,000	2.04
		A-3	$	259,300,000	3.04
		A-4	$	420,700,000	4.04
		A-5	$	598,700,000	5.54
		A-6	$	761,300,000	7.54
		A-7	$	510,000,000	9.41
		Total	$	3,400,000,000	5.17

Saber Partners, LLC

Deal #	Deal Name	Tranche		Amount	Weighted Average Life
3	San Diego Gas & Electric	A-1	$	65,800,000	0.77
	(12/4/1997)	A-2	$	82,600,000	1.78
		A-3	$	66,200,000	2.92
		A-4	$	65,700,000	3.92
		A-5	$	96,500,000	5.15
		A-6	$	197,600,000	7.29
		A-7	$	83,500,000	9.52
		Total	$	657,900,000	5.14
2	Southern California Edison	A-1	$	246,000,000	0.79
	(12/4/1997)	A-2	$	307,000,000	1.79
		A-3	$	248,000,000	2.93
		A-4	$	246,000,000	3.93
		A-5	$	361,000,000	5.17
		A-6	$	740,000,000	7.40
		A-7	$	315,000,000	9.54
		Total	$	2,463,000,000	5.19
1	Pacific Gas & Electric	A-1	$	125,000,000	0.56
	(11/25/1997)	A-2	$	265,000,000	1.09
		A-3	$	280,000,000	1.99
		A-4	$	300,000,000	3.01
		A-5	$	290,000,000	4.02
		A-6	$	375,000,000	5.17
		A-7	$	866,000,000	7.31
		A-8	$	400,000,000	9.48
		Total	$	2,901,000,000	5.19
	Total All Utility Securitization Deals		$	49,080,736,897	

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DEF's Response to Staff's Second Set of Interrogatories (Nos. 8-39)

Note: See also files contained on Staff Exhibit CD for Nos. 8, 18, 19, 34

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET: 150148-EI EXHIBIT: 75
PARTY: STAFF – (DIRECT)
DESCRIPTION: Bryan BucklerPatrick CollinsMichael CovingtonMarcia Olivier

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval to include in base rates the revenue requirement for the CR3 regulatory asset, by Duke Energy Florida, Inc.	DOCKET NO. 150148-EI
In re: Petition for issuance of nuclear asset-recovery financing order, by Duke Energy Florida, Inc. d/b/a Duke Energy.	DOCKET NO. 150171-EI DATED: August 31, 2015

DUKE ENERGY FLORIDA, LLC'S RESPONSE TO STAFF'S SECOND SET OF INTERROGATORIES (NOS. 8-39)

Duke Energy Florida, LLC ("DEF"), responds to Staff's Second Set of Interrogatories to DEF (Nos. 8-39), as follows:

INTERROGATORIES

8. Please refer to Witness Buckler's direct testimony (Buckler Direct), Exhibit BB-1, page 1 of 2. Please provide all assumptions and justifications relied on to produce the amounts associated with the lower end and upper end of the ranges for the Estimated Up-Front Nuclear Asset-Recovery Bond Issuance Costs.

Answer: Documents attached to this response provide the assumptions and justifications for amounts associated with the lower end and upper end of the range of Estimated Upfront Nuclear Asset-Recovery Bond Issuance Costs and Estimated Ongoing Financing Costs. The document titled "Discussion of Estimated Upfront Bond Issuance Costs and Ongoing Financing Costs" discusses the basis for estimating each line item included in Exhibit No. __ (BB-1). The remaining documents include support for the various estimated costs. Responsive documents bear Bates numbers 150148-STAFFROG2-8-000001 through 150148-STAFFROG2-8-000039. Documents bearing Bates numbers 150148-STAFFROG2-8-000001 through 150148-STAFFROG2-8-000011 are confidential. A redacted version is attached hereto. An unredacted version has been filed with the FPSC along with DEF's Notice of Intent to Request Confidential Classification dated August 31, 2015.

9. Please refer to Buckler Direct, page 8, line 22 through page 9, line 2. Provide examples of "upfront bond issuance costs that may be incurred above DEF's current estimate of upfront bond issuances costs." For purposes of this response, identify and explain why these additional costs may arise.

Answer: The comment "upfront bond issuance costs that may be incurred above DEF's current estimate of upfront bond issuances costs" was not meant to indicate DEF is aware of specific categories of costs other than those included in Exhibit No. __ (BB-1) but was rather intended to indicate that actual amounts incurred for upfront bond issuance costs for the categories included in Exhibit No. __ (BB-1) may be higher than the upper end of the ranges listed. DEF did not intend for the upper end of the range to be the maximum amount to be incurred but rather (i) the higher end estimate as of about June 30, 2015 for such expenses or (ii) the larger amount observed for such expenses on other utility securitization transactions. Please refer to the documents provided in response to Interrogatory No. 8 for details of the basis for estimating each of the line items included in Exhibit No. __ (BB-1). Further, it should be noted that certain fees are based on the size of the underlying regulatory asset being securitized, and therefore could be higher or lower depending on the regulatory asset as of the time of the bond issuance (e.g., delays in the issuance of the bonds could result in additional accrued carrying costs on the CR3 regulatory asset, and thus a larger securitization). Legal fees could also increase if the bond issuance process is more complicated or time-consuming than currently anticipated, due to, for instance, a complex SEC registration process. Finally, DEF would like to point out that the actual upfront bond issuance costs could be lower than the "lower end of range" shown in Exhibit __BB-1, for similar reasons.

10. Are the setup costs that DEF seeks to recover only incremental costs that are not currently recovered by any other cost recovery mechanism? If not, please explain your rationale for not using incremental costs.

Answer: DEF considers these costs to be incremental to DEF. Specifically, Servicer Set-up Fees (Line 2) include amounts DEF expects to incur to modify its existing information technology system to bill, collect, remit, and report on nuclear asset-recovery charges. The work is performed by Duke Energy Business Services (service company) employees and contractors who are shared amongst and charged to all of the Duke Energy affiliates. The SPE Set-up Fees (Line 9) include the costs of establishing the SPE as well as estimated costs of the SPE's Delaware legal counsel. These costs are also incremental and are not currently recovered by any other cost recovery mechanism.

11. Please identify the other utility securitization filings DEF reviewed in arriving at its estimate of upfront and ongoing issuance costs. With respect to these other filings, did any have servicer setup costs similar to what DEF is anticipating? If so, please identify these utilities and the amounts of their upfront and ongoing issuance costs.

Answer: DEF reviewed the 2013 utility securitization filings for Appalachian Power Company (APC) and the 2014 securitization filing for Consumers Energy Company (CEC). The portion of the Issuance Advice Letter for APC which includes estimated upfront and ongoing financing costs and the schedules of such expenses from both the APC and CEC petitions are included in the documents provided in response to Interrogatory No. 8. Both of these transactions included set-up costs for the servicers and the SPEs. However, DEF was not able to determine the type of expenses covered in these set-up costs. DEF notes that CEC and affiliates of APC have executed prior utility securitizations and CEC and APC likely had the infrastructure in place to bill, collect, remit, and report on securitization charges at the time of their filings.

12. Please refer to Buckler Direct, page 29, lines 19-20. Witness Buckler says there should be no cap on ongoing issuance costs. Why does DEF believe there should not be a cap on upfront issuance costs when DEF has already provided an upper end to a range of costs?

Answer: As mentioned in the response to Interrogatory No. 9, DEF did not intend for the upper end of the range to be the maximum amount to be incurred for ongoing financing costs. While DEF does not currently believe ongoing costs will be significantly higher than the "lower end of range" estimates shown in Exhibit No. (BB-1), DEF continues to believe there should not be a cap on ongoing financing costs. Any cap exposes the SPE to insolvency risks, which could be detrimental to our ability to obtain AAA or equivalent credit ratings on the nuclear asset-recovery bonds. Caps could also jeopardize the legal opinions relating to bankruptcy remote status of the SPE. Furthermore, certain ongoing financing costs will be unknown at closing, including rating agency surveillance fees, ongoing trustee expenses (including indemnity costs, if any), ongoing legal and accounting costs, and SEC compliance costs, and any cap would limit the ability of the SPE to pay these costs. In addition, we believe the rating agencies have requirements that the SPE must be allowed to pay its ongoing costs, and any caps would be viewed unfavorably.

The highest ongoing financing cost anticipated in the transaction is the fee payable to a third party servicer in the event that DEF needs to be replaced as servicer. As a protection for its customers, DEF has proposed in its draft financing order and draft transaction documents to indemnify its customers to the extent customers incur losses associated with higher servicing fees payable to a substitute servicers as a result of DEF's negligence, recklessness or willful misconduct. Also, as reflected in the proposed Findings of Fact number 60.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, 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.

13. Please refer to Buckler Direct, page 15, line 23. Does DEF assume the proposed nuclear asset-recovery bonds are asset-backed securities? If yes, why?

Answer: As described in Questions 20, 25, and 28 below, it appears the U.S. Securities and Exchange Commission (the "SEC") and other regulatory agencies consider utility securitizations like the nuclear asset-recovery bonds to be asset-backed securities in a legal context. However, from a non-legal or marketing context, the property interests securing utility securitizations (in our case, nuclear asset-recovery property) is unique and is unlike any traditional assets securing commercial securitizations (e.g., loans or leases). Accordingly, DEF takes no view as to whether any investor may perceive the nuclear asset-recovery bonds as "asset-backed securities."

14. Please refer to Buckler Direct, page 18, lines 21-22. Please identify any other utility securitization transactions that relied on the type of RFP process described here to presume underwriter costs or other bond issuance costs are just and reasonable.

Answer: The use of an RFP process is a widely-accepted practice to evaluate service providers and to compare relative qualifications and costs. RFP's are often used by utilities in connection with securitizations, to evaluate and select underwriters and certain other service providers. Among other objectives, these RFPs help establish that the costs of service are just and reasonable. Most recently, Entergy New Orleans and affiliates of American Electric Power, Ohio Power and Appalachian Power Company, used RFP processes to select certain service providers in connection with securitizations in 2015 and 2013, respectively.

15. Please refer to Buckler Direct, page 20, lines 16-22. Please identify the costs proposed for the informational technology program modifications listed on line 2 of Exhibit BB-1, page 1 of 2. How was this estimate developed and will DEF perform the work?

Answer:

The chart below identifies the estimated costs, as of earlier in 2015, for the information technology program modifications at each stage of the project.

Project Stage	Estimated Cost (in thousands)
Analysis & Design	$544
Build & Unit Test	257
Component Test	121
Product Acceptance Test	355
User Acceptance Test	166
Integrated Regression Test	38
Deployment & Warranty	416
Total	**$1,898**

The project estimate was developed by determining the project scope, and then gathering the business and functional requirements. After the business and functional requirements are determined, the Informational Technology team evaluates the impacts and estimates the hours to complete the project for both Information Technology and Business Units. A blended hourly rate factor and the total estimated labor hours are used to calculate the estimated cost for the project. Duke Energy and its contractors are performing all work to the billing system and interfaces.

The project teams consists of 9 Duke Energy Business Services (service company) employees, which are shared resources among all of the jurisdictions, and 4 outside contractors. The projects that the service company employees would have been tasked to work on cross all of the affiliated entities.

The **analysis & design** stage is to document the inventory of impacted items such as reports, interfaces, programs, files and databases. Initially 121 impact items were identified such as batch processing, general ledger interface, code table, on-line query tool, on-line dialog, databases, report generators and reports. Screen mock ups and report mock ups are created and interface files are defined to the field level. Design documents are developed that narrate the data flows or work flows. While performing the detailed

inventory analysis, the project team determined that labor hours and costs could be materially reduced by utilizing an available charge field in the billing system, and thus the total estimate for this IT project is now significantly lower than the above estimate. The table below illustrates the project to date costs (as of July 31, 2015) which have in fact been greatly reduced due to the diligence by the project team. This will save programming time which reduces business risk and in the end will save the customers cost. Instead of the ~$1.9 million of costs estimated earlier in the process, DEF is now hopeful that the costs will be significantly lower.

Actual Costs Incurred Through July 2015

Project Stage	Actual Cost (in thousands)
Analysis & Design	75
Build & Unit Test	35
Component Test	*
Product Acceptance Test	*
User Acceptance Test	*
Integrated Regression Test	*
Deployment & Warranty	*
Total as of July 31, 2015	**$110**

**** Actual costs will be determined as project completes each stage***

The **build & unit test** stage is commonly referred to as coding in which developers may find their coding tasks to be much more or less complicated than originally assessed in inventory. During this stage thousands of lines of program code must be analyzed and tested. The developer must prove that the coded solution is viable in terms of executable code. Successful completion of this stage occurs when the billing system can execute the instruction set and produce the expected results.

The **component test** stage is a sub-stage of the build & unit test stage. It is planned separately after the coding and unit test is complete. Component test is conducted in a system test environment at a higher level than unit test by the project team members. This allows the project team to identify and correct problems with the code or job flows prior to exposure to the business partners. The team will execute approximately 350 component test scripts and 3,000 test steps by the end of this test phase, and approximately 200 rates in four billing groups will be tested and verified.

The **product acceptance test** stage is a business partners stage. The business partners will be engaged in processing, data, report validations and verifications. Any process errors will be documented and tracked, and daily meetings will be conducted to review defect correction progress. Test scripts are estimated to be approximately 500 scripts containing 20,000 test steps. All billing rates and all billing scenarios (e.g. cancel/rebill and cancel/adjust) will be tested during this stage.

The **user acceptance test** stage is to focus on validating that all defects have been fixed and ensure all business requirements have been met. There will be an estimated 200 scripts executed during this phase of testing.

The **integration regression test** stage is conducted independent of the project team and business partners. A test support team moves the changes made to the project into a test environment and then performs a set of regression test scripts to ensure that the changes made to the environments as a whole will not have a negative impact.

The **deployment & warranty** stage is the act of planning for and then executing the steps needed to move the products developed during the execution stages of the project life cycle into the production environment. The project team will still address and correct any defects that may be found once the project has been deployed into the production environment. The project team will work in conjunction with the production support team to train them on the changes that were made and how to properly support them. The duration of the warranty period depends on the nature of the project. The warranty period is expected to span 90 to 100 days as it must include two billing cycle month ends and two revenue collection cycle month ends.

16. Please refer to Buckler Direct, page 23, lines 8-14. For the cost estimates for legal fees on Exhibit BB-1, line 3, please identify the amount for DEF legal fees and the amount for Commission counsel legal fees for both estimates.

Answer: Please refer to the documents included in the response to Interrogatory No. 8 for components of and support for legal fees related to the nuclear asset-recovery bond issuance. DEF's estimate does include a rough estimate for the Commission's external legal counsel, if applicable.

17. Please refer to Buckler Direct, page 19, lines 10-16 and page 24, lines 4-6. On page 19 lines 10-16, Witness Buckler discusses how a "Bond Team" will ensure the Commission and its representatives will be actively involved in real time in the structuring, marketing and pricing of the bonds. However, on page 24, lines 4-6, he states that DEF will name the bookrunners if a negotiated offering method is selected. Is it DEF's proposal that selection of underwriters and the naming of lead bookrunners is outside the role of the proposed Bond Team?

Answer: DEF does not propose the selection of underwriters of lead book runners is outside the role of the proposed Bond Team. As indicated in Finding of Fact 12 and Ordering paragraph 48 of DEF's Form of Financing Order, "DEF, in consultation with other members of the Bond Team, shall conduct a request-for-proposal process to select underwriters, … to ensure that the processes are competitive, will provide the greatest value for customers, and will result in the selection of [underwriters] that have substantial experience with this asset class." However, it will be the SPE and DEF (and not the other members of the Bond Team), who will sign the legal agreements necessary to formally engage the underwriters.

18. Please refer to Buckler Direct, page 26, lines 11-20. Please identify and quantify the incremental cost DEF will incur each year to perform each of the enumerated services listed on lines 15-20. For purposes of this response, please explain how these activities are separate and apart from similar activities DEF currently performs for its existing utility business.

Answer: The document attached to this response, bearing Bates number 150148-STAFFROG2-18-000001 provides the assumptions and justifications for amounts associated with the servicing fee.

The attached document identifies and quantifies the annual incremental costs DEF estimates it will incur to complete its responsibilities as servicer.

DEF anticipates that its activities and duties as servicer that will result in incremental costs include management, servicing and administration of the nuclear asset recovery property; billing, collecting and posting all payments in respect of the nuclear asset-recovery property and nuclear asset-recovery charges; responding to inquiries by customers, the Commission and other governmental authorities with respect to the nuclear asset-recovery property and nuclear asset-recovery charges; processing and depositing collections and making periodic remittances of nuclear asset-recovery charges; furnishing periodic reports to the SPE, the indenture trustee and the rating agencies rating the nuclear asset-recovery bonds; making all filings with the Commission and taking such other action as may be necessary to perfect the SPE'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; taking all necessary action in connection with the true-up adjustment process authorized in the Financing Order; and performing such other duties as may be specified under the Financing Order to be performed as servicer. These activities are separate and apart from similar activities DEF currently performs for its existing utility business. The document attached reflects an updated annual estimate of these incremental costs to DEF to perform these servicer responsibilities. It includes the cost of an estimated two and a half additional employees to complete the servicer responsibilities, estimated increase in call center volume, incremental printing costs and other incremental costs to service the nuclear asset-recovery property and nuclear asset-recovery charges.

The annual servicing fee to be paid to DEF as initial servicer is 0.05% of the original principal balance of the nuclear asset-recovery bonds ($655,900). This amount is at the lower end of the range of typical servicing fees for other utility securitization

transactions. An annual servicing fee of $655,900 is comparable to DEF's current estimate of its aggregate annual incremental servicing costs (~$600,000).

DEF also notes the importance of receiving a non-consolidation opinion from counsel. In order to support the bankruptcy analysis which concludes that the SPE and DEF would not be consolidated in the event of a bankruptcy filing with respect to DEF, counsel will expect DEF to represent that the servicing fee is a reasonable and fair consideration as would be obtained under an agreement among unaffiliated entities under otherwise similar circumstances. The fee can take into account that DEF is simultaneously performing other collection functions. However, the fee cannot result in DEF subsidizing the activities of the SPE.

Finally, please make reference to DEF's draft financing order, specifically Finding of Fact 63 and Ordering Paragraph 62. DEF proposes that all revenues collected through the servicing fee will be applied as a credit to DEF's cost of service. The actual expenses incurred throughout the life of the securitization bonds to support DEF's servicing responsibilities will be included in DEF's cost of service. Therefore, any surplus or deficiency will be refunded or recovered through DEF's base rates in future rate cases.

19. Please refer to Buckler Direct, page 28, lines 6-13. Please identify the incremental cost DEF will incur each year to perform each of the enumerated services listed on lines 8-11. For purposes of this response, please explain how these activities are separate and apart from similar activities DEF currently performs for its existing utility business.

Answer: The document attached to this response, bearing Bates Number 150148-STAFFROG2-19-000001 provides the assumptions and justifications for amounts associated with the administration fee.

DEF anticipates that its activities and duties as administrator that will result in incremental costs will include: maintaining general accounting records of the SPE in accordance with generally accepted accounting principles, separate and apart from DEF's own accounting records; preparing quarterly and annual financial statements of the SPE and arranging for year-end audits of the SPE's financial statements; preparing and filing with the SEC the SPE's periodic reports; preparing and filing such income, franchise or other tax returns of the SPE; and preparing and causing to be prepared minutes of meetings of the SPE's managers and such other documents deemed to be appropriate by the SPE to maintain the separate limited liability company existence and good standing of the SPE. These activities are separate and apart from similar activities DEF currently performs for its existing utility business. The document attached reflects the current annual estimate of the incremental costs to perform these responsibilities. It includes the cost of an estimated one half additional employee to complete the administrator's duties.

The annual administration fee to be paid to DEF as administrator is proposed to be between $50,000 and $100,000. This amount is consistent with administration fees for other utility securitization transactions. An annual administration fee of between $50,000 and $100,000 is comparable to DEF's current estimate of its aggregate annual incremental administration costs (approximately $62,000).

DEF also notes the importance of receiving a non-consolidation opinion from counsel. In order to support the bankruptcy analysis which concludes that the SPE and DEF would not be consolidated in the event of a bankruptcy filing with respect to DEF, counse will expect DEF to represent that the administration fee is a reasonable and fair consideration as would be obtained under an agreement among unaffiliated entities under otherwise similar circumstances.

Finally, please make reference to DEF's draft financing order, specifically Finding of Fact 63 and Ordering Paragraph 62. DEF proposes that all revenues collected through the administration fee will be applied as a credit to DEF's cost of service. The actual expenses incurred throughout the life of the securitization bonds to support DEF's administrator responsibilities will be included in DEF's cost of service. Therefore, any surplus or deficiency will be refunded or recovered through DEF's base rates in future rate cases.

20. Please refer to Buckler Direct, page 22, lines 2-5. Please explain how DEF's proposed nuclear asset-recovery bonds are directly and/or indirectly impacted by the new SEC regime.

Answer: As stated in Patrick Collins's original testimony on p. 40, lines 5 through 11, in August of 2014, the SEC adopted revisions to Regulation AB, commonly referred to as Regulation AB II, relating to the registration, disclosure, and reporting for publicly-offered asset-backed securities issued after November 23, 2015. Once these new regulations are effective, the registration of asset-backed securities, as defined by Item 1101(c) of Regulation AB, will be required to be made on one of two new forms: Form SF-1 and Form SF-3. DEF currently anticipates that it will file on Form SF-1 because DEF anticipates only a single offering of nuclear asset-recovery bonds.

The new filing requirements have not gone into effect yet, although the SEC has encouraged "pilot filings" to be made in anticipation of the effective date and several issuers are undergoing the full review process in this pilot program relating to the new Form SF-3. To date, I am not aware of any filing made or being pursued using a pilot program for Form SF-1. As such, utilizing filings under a new and updated regulatory regime, there naturally will be a certain amount of uncertainty with the exact implementation and timing of the process.

21. Please refer to Witness Collins's direct testimony (Collins Direct), page 13, lines 10-11. How did Florida Power & Light Company's ("FPL") transaction credit spreads over benchmark rates compare relative to the other deals in 2007 and 2008 that sold before and after the FPL deal?

Answer: Please see the below table for the pricing information of FPL and other utility securitizations in 2007 and 2008. I have provided other information as well as it is important to view each transaction in its relative context in the broader markets at the time. As such, the table below not only shows deal information, but it also shows (i) spreads for other AAA-rated asset classes to show on-the-run, liquid secondary credit spreads of other products; (ii) 3- and 5-year mid-swaps rates to show the general level of interest rates; (iii) the Dow Jones Industrial Average to show broader equity markets; and (iv) the VIX (volatility index) to show implied stock market volatility (through S&P Index options) as a broad measure of market-implied risk.

In short, the period of when the FPL transaction was issued is generally considered to have come at the tail end of one of the best environments for structured finance in recent times (and potentially life to date). To demonstrate this, let us use secondary 3-year fixed AAA-rated credit cards spreads as a proxy, given their liquid and on-the-run nature. For the period of time between January 1, 2005 and May 17, 2007, the average credit card credit spread was *minus* 3.2 basis points versus the swap curve; during that same period, the maximum (widest) spread was 1 basis point, and the minimum (tightest) spread was minus 6 basis points. To show how good of an environment it was by comparison, approximately four months later in September of 2007, 3-year fixed credit card spreads jumped to 55 basis points and they subsequently did not fall below 20 basis points again until July 2011. Fast forward to the recent market, and Chase issued a 3-year fixed credit card transaction in May of 2015 with a spread of 35 basis points, indicating that spreads are still not back to the lows seen in the 2005-07 period.

Back to the FPL execution, the weighted-average credit spread to mid-swaps was 6 basis points with a weighted-average life of 7.15 years. In June of 2007, two more transactions came to market: Entergy Gulf State and Baltimore Gas and Electric, with a weighted-average credit spread versus swaps of 7 and 5 basis points, respectively. All three of those deals in May and June 2007 priced in a very conducive issuance environment, as evidenced by the tight spreads in AAA-rated credit cards and prime autos, as shown below.

The environment in 2008, however, was a different story to say the least. 3-year credit card and prime auto spreads, which had been at 1 basis point and 6 basis points,

respectively, when FPL came to market were at 65 basis points and 125 basis points, respectively, when CenterPoint Energy came to market in January of 2008. The other transactions in 2008 saw the same challenging market environment, if not worse.

Given this context, I would say that the FPL transaction priced in line with the market. As the spreads for credit cards and prime auto loans show, structured finance products were pricing at or near all-time lows in terms of credit spreads. Any comparison on a spread basis to any transaction outside this 2005 to 2007 period is not an appropriate comparison.

Sponsor	Pricing Date	Amount	Deal WAL	WA Spread (bps)	WA Coupon (%)	3-Year Mid-Swaps (%)	5-Year Mid-Swaps (%)	3-Yr Fixed Card Spread (bps)	3-Yr Fixed Prime Auto Spread (bps)	DJIA	VIX
MP Environmental Funding	4/32007	$344,475,000	12.05	+10	5.39%	4.984	5.025	-1	+7	12,510.30	13.46
PE Environmental Funding	4/32007	$114,825,000	12.08	+10	5.39%	4.984	5.025	-1	+7	12,510.30	13.46
Florida Power and Light	5/17/2007	$652,000,000	7.15	+6	5.19%	5.138	5.162	+1	+6	13,476.72	13.51
Entergy Gulf States	6/22/2007	$329,500,000	8.05	+7	5.83%	5.444	5.555	+0	+6	13,360.26	15.75
Baltimore Gas and Electric	6/29/2007	$623,200,000	5.60	+5	5.69%	5.399	5.488	+0	+6	13,408.62	16.23
CenterPoint Energy	1/29/2008	$488,472,000	7.11	+81	4.78%	3.161	3.583	+65	+125	12,480.30	27.32
Cleco Power	2/28/2008	$180,600,000	7.10	+100	5.08%	2.986	3.556	+105	+190	12,582.18	23.53
Entergy Louisiana	7/22/2008	$687,700,000	5.78	+124	5.81%	4.054	4.418	+95	+175	11,602.50	21.18
Entergy Gulf States Louisiana	8/20/2008	$278,400,000	5.75	+185	6.04%	3.621	4.013	+125	+235	11,417.43	20.42

22. Please refer to Collins Direct, page 38, line 22 through page 39, line 2. Does the cited statement imply that DEF, rather than the SPE, would be financially responsible for federal security law liabilities?

Answer: Both would have responsibility to abide by the Federal securities laws. As discussed in the response to Interrogatory No. 28, I anticipate that DEF and the SPE will file a registration statement on Form SF-1. Pursuant to the instructions of Form SF-1, the registration statement will be signed by the SPE, as registrant, as well as by certain officers of the SPE. DEF (and certain of its officers and directors) will also be required to sign the registration statement as depositor. This would be consistent with recent public utility securitizations. Section 11(a) of the Securities Act of 1933 provides the principal basis for civil liability in connection with registered public offering of securities and attaches to anyone who signs the registration statement, in this case, the SPE, DEF and their respective officers and directors.

In order to protect the bankruptcy remote nature of the SPE, its organizational documents will limit its activities and its primary assets will consist of the nuclear asset-recovery property and the related accounts. DEF, on the other hand, is a significant operating company with substantial assets. I would therefore expect any bondholder suing under Section 11 to attempt to collect fully from DEF and thereby protect the assets of the SPE. I note that this liability attaches to any registration statement filed with the SEC, regardless of the form of the filing.

Furthermore for completeness, even if DEF were not required to sign the registration statement in the unlikely event that the SEC allows a Form S-1 rather than a Form SF-1, DEF's officers, as the officers of the SPE, would remain liable by way of their signing of the registration statement and pursuant to DEF's LLC agreement, those officers who are serving as officers of the SPE at the request of DEF would be indemnified by DEF. Further, even if a Form S-1 was used, DEF would be required to sign the underwriting agreement, under which it would indemnify the underwriters for a securities law liabilities which they suffer.

23. Please refer to Exhibit PC-2. Please identify every transaction on this list in which the sponsoring utility was held responsible for a federal security law liability. Please also identify any transaction in which DEF believes there was a potential securities law violation.

Answer: Neither DEF nor Morgan Stanley is aware of any situation in which a sponsoring utility was held responsible for a federal security law violation. However, we believe it is irrelevant whether any of the sponsoring utilities in other transactions have been held responsible for federal securities law violations. The key consideration is that federal securities law liability exists. DEF, as well as Morgan Stanley, take the existence of federal securities law liability seriously and would never deem it to be immaterial simply because we are not aware of any violations for similar transactions to date.

24. Is DEF or the SPE responsible for all payments associated with the nuclear asset-recovery bonds?

Answer: The SPE, with its principal asset to be the nuclear asset-recovery property, is responsible for the payments associated with the bonds. However, DEF will be required to indemnify the SPE (and its pledgees) for (i) certain losses resulting from a breach of DEF's representations, warranties, or covenants contained in the sale agreement between DEF and the SPE and (ii) from a breach of DEF's representations and warranties or its failure to perform its duties under the servicing agreement. Accordingly, there is a chance that in the unlikely event that there were to be a default on the nuclear asset-recovery bonds, bond holders would seek recoveries from both DEF and the SPE.

25. Please refer to Collins Direct, page 40, lines 14-20. Do the nuclear asset-recovery bonds have to be classified as asset-backed securities? For purposes of this response, please identify the specific requirement or authority for this designation.

Answer: There appears to be little doubt that the SEC (under whose authority such a designation is made) and other regulators generally consider a utility securitization, such as DEF's proposed transaction, as an "asset-backed security."

Regulation AB II relies upon the definition of "asset-backed securities" from Item 1101(c) of Regulation AB. Under these new regulations, any issuer issuing a publicly-registered asset-backed security under this definition must utilize registration statement Form SF-1 or Form SF-3, as appropriate. Regulation AB II, however, includes other provisions beyond the type of registration form to be used for registered securities. So, for guidance as to how the SEC is to consider DEF's proposed transaction, we looked to recent rulemaking from the SEC relating to other provisions of Regulation AB II that utilize the same definition of asset-backed securities. As such, Regulation AB II includes provisions around asset-level data disclosure requirements relying on the same definition of asset-backed securities. In that rulemaking, the staff determined that asset-backed securities backed by "stranded costs" would be expressly exempted from the asset-level data requirements of Regulation AB II. The implication is that the SEC's staff believes that utility securitizations fall under the definition of asset-backed securities[1], which is the same definition that dictates Forms SF-1 or SF-3 to be used.

Further, we can also look to other rulemaking wherein the SEC and other regulators dealing with the definition of asset-backed securities in other contexts. An example occurs from the Dodd-Frank Act. As required by the Dodd-Frank Act[2], the SEC, together with the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Federal Housing Finance Agency, and the Department of Housing and Urban Development issued risk retention rules in October 2014 that relate to "asset-backed securities" as defined under Section 3(a)(79) of the Securities Exchange Act (the "Exchange Act"). These six agencies determined that "public utility securitizations"[3] were asset-backed securities under Section 3(a)(79), and specifically exempted these securitizations from the risk retention rules. It is clear from this rulemaking and the related release that the

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[1] Asset-Backed Securities Disclosure and Registration, 79 Fed. Reg. 57183, 57196 (Sept. 24, 2014)
[2] Section 941 amended Section 15G of the Securities Exchange Act of 1934
[3] "Any securitization transaction where the asset-back[ed] securities issued in the transaction are secured by the intangible property right to collect charges for the recovery of specified costs and such other assets, if any, of an issuing entity that is wholly owned, directly or indirectly, by an investor owned utility company that is subject to the regulatory authority of a State public utility commission or other appropriate State agency." Credit Risk Retention 79 Fed. Reg. 77601, 77761 (Dec. 24, 2014)

applicable regulatory authorities generally categorize utility securitizations as asset-backed securities.

Based on these two rulemakings which occurred after the 2007 no-action letter (further discussed below in Question 28), it is our belief that the SEC generally thinks of utility securitizations as "asset-backed securities" under both Item 1101(c) of Regulation AB and 3(a)(79) of the Exchange Act.

26. Please refer to Collins Direct, page 41, line 20 through page 42, line 4. Please identify and quantify the increased costs necessary to comply with SEC Regulation AB.

Answer: As I have previously stated in my answer to Question 20, the DEF financing is likely to be the first utility securitization which is subject to review of the SEC following the effective date of Regulation AB II. Further, it may be the first Form SF-1 filed with the SEC with respect to any asset class, and certainly the first for a utility securitization. While comments on an SEC filing are typically received within 30 days of filing of a registration statement, it is difficult to predict how long the review process might be extended due to the relative novelty of the filing. Accordingly, adapting the DEF filing to the new Form SF-1 and responding to SEC inquiries may require additional time and work, and accordingly result in additional legal expense. This additional expense is difficult to estimate; however the expense budget proposed by DEF contemplates such a filing.

Further, if history is any indication, whatever the time and legal expense is involved in filing and processing the new asset-backed security registration statement Form SF-1 under Regulation AB II, such additional time and expense is likely to be significantly less than the time and expense of pursuing a new no-action letter asking the SEC to determine that this new issuance is not an asset-backed security under those regulations. Any such no-action request could prove to be very challenging in light of recent rulemaking from the SEC, as discussed in Question 25.

27. Please refer to Collins Direct, Re: Period Between Expected Final Maturity and Legal Final Maturity. Pages 6 and 7 of Witness Collins' testimony present the following preliminary structure for the Nuclear Asset-Recovery Bonds:

Tranche	Principal Amount	Expected Final Maturity	Legal Final Maturity	Years Between Expected and Legal Final Maturity
A-1	$165,940,000	4/1/2019	4/1/2020	1.0
A-2	209,370,000	10/1/2022	10/1/2023	1.0
A-3	488,570,000	4/1/2029	4/1/2030	1.0
A-4	447,920,000	10/1/2033	10/1/2035	2.0

In discussing the period between expected final maturity and legal final maturity of securitized utility bonds, pages 18 and 19 of Witness Collins' testimony discusses only transactions since 2010. Commission staff is not aware of any securitized utility bonds issued since 2010 with expected final maturity of 19 years or longer. But Commission staff is aware of five earlier securitized utility bonds with scheduled final maturity for the latest tranche of 19 years or longer. Each of these five transactions provides for only a one-year period between the expected final maturity and the legal final maturity for the latest tranche. What is unique to DEF's proposed Nuclear Asset Recovery Bonds that causes DEF to propose a two-year period between the expected final maturity and the legal final maturity for the latest tranche when a one-year period sufficed for all these other long-dated securitized utility bonds?

Answer: There have been two utility securitizations since 2010 that have had an expected final maturity of 19 years or longer: the 2013 FirstEnergy Ohio transaction and the 2013 Long Island Power Authority ("LIPA") transaction. The FirstEnergy Ohio transaction had a scheduled final maturity of 21 years and a legal final maturity of 23 years for a two-year gap. The LIPA transaction had a scheduled final maturity of 26 years and a legal final maturity of 28 years, for another two-year gap. The LIPA transaction had both taxable and tax-exempt bonds with the tax-exempt being the longer-dated ones; however, the ratings process and approach was generally the same as any

taxable utility securitization, and since the rating agencies are the key driver in determining the gap between the scheduled and legal final maturity dates, we still believe it is a relevant comparison here.

We relied on transactions issued since 2010 because (i) they are generally more indicative of the current ratings approach for these transactions than deals issued over five years ago, (ii) rating agencies generally rely upon recent transactions as precedent, and (iii) there are two recent transactions with scheduled final maturities over 19 years and three over 15 years.

As I stated in my original testimony, this gap between the two maturity dates will be driven by rating agency concerns and the period of time could potentially be shortened to one year, depending on a number of factors, which will not be known until the ratings process is complete.

28. In 2007, Monongahela Power Company and Potomac Edison Company each organized a wholly-owned finance subsidiary ("Finance Subsidiary") for the principal purpose of issuing securitized Environmental Control Bonds under West Virginia statutes. The Amended and Restated LLC Agreements gave the Finance Subsidiaries flexibility to issue additional types of securitized bonds which might be authorized by financing orders of the West Virginia PSC[4]. In a no action letter dated September 17, 2007[5], SEC staff

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[4] http://www.sec.gov/Archives/edgar/data/1384731/000095012007000199/exhibit3_2.htm; http://www.sec.gov/Archives/edgar/data/1384732/000095012007000187/ex3-2.htm Section 2.11 of the Amended and Restated LLC Agreement for each stated:

"Additional Issuance. If the Company receives a financing order or other authorization or approval from the PSCWV, the Company may, in its sole discretion, acquire additional and separate property (including property other than Environmental Control Property) and issue one or more Additional Issuances that are backed by such separate additional property. Any new Additional Issuance may include terms and provisions unique to that Additional Issuance.

(a) The Company shall not issue additional Environmental Control Bonds or other Additional Securities if the Additional Issuance would result in the then-current ratings on any Outstanding Series of Environmental Control Bonds or other Outstanding Additional Securities being reduced or withdrawn.

(b) (b) The following conditions must be satisfied in connection with any Additional Issuance:

(i) if the Additional Issuance is a new series of Environmental Control Bonds, such Bonds shall be rated "Aaa" by Moody's and "AAA" by S&P and Fitch;

(ii) each Additional Issuance shall have recourse only to the assets pledged in connection with such Additional Issuance, shall be nonrecourse to any of the Company's other assets and shall not constitute a claim against the Company if cash flow from the pledged assets is insufficient to pay such Additional Issuance in full;

(iii) the Company has delivered to the Trustee an Opinion of Counsel of a nationally recognized firm experienced in such matters to the effect that after such issuance, in the opinion of such counsel, if either or both of Mon Power or the Seller were to become a debtor in a case under the United States Bankruptcy Code (Title 11, U.S.C.), a federal court exercising bankruptcy jurisdiction and exercising reasonable judgment after full consideration of all relevant factors would not order substantive consolidation of the assets and liabilities of the Company with those of the bankruptcy estate of Mon Power or the Seller, subject to the customary exceptions, qualifications and assumptions contained therein;

(iv) the Company has delivered to the Trustee a certificate meeting the criteria of Section 3.19(c)(iv) of the Indenture stating that the securities issued pursuant to such Additional Issuance shall have the benefit of a true-up mechanism;

(v) the transaction documentation for such Additional Issuance provides that holders of the securities of such Additional Issuance will not file or join in the filing of any bankruptcy petition against the Company;

(vi) if the holders of the securities of any Additional Issuance are deemed to have any interest in any of the Collateral pledged under the Indenture (other than Collateral pledged with respect to such Additional Issuance), the holders of such securities must agree that any such interest is subordinate to the claims and rights of the Holders of such other related series of Environmental Control Bonds;

(vii) the Additional Issuance shall have its own bank accounts or trust accounts; and

(viii) the Additional Issuance shall bear its own trustees fees and servicer fees, except that the allocation of such fees with respect to any Additional Issuance of Environmental Control Bonds shall be governed by the terms of the Indenture and the Servicing Agreement."

[5] http://www.sec.gov/divisions/corpfin/cf-noaction/2007/mpef091907-1101.htm

confirmed that securitized Environmental Control Bonds issued by the Finance Subsidiaries would not be treated as "asset-backed securities" for purposes of old Regulation AB. Consistent with that SEC no action letter, in 2007 and again in 2009 each Finance Subsidiary used SEC Form S-1 to offer securitized Environmental Control Bonds.[6] Is there anything in new Regulation AB II that would preclude DEF from taking a similar approach and causing Nuclear Asset-Recovery Bonds issued for its benefit to be offered on SEC Form S-1 rather than SEC Form SF-1?

Answer: Yes. After the effective date of Regulation AB II on November 24, 2015, Form S-1 is not permitted to be used for "asset-backed securities" as defined under Item 1101(c) of Regulation AB. Only Forms SF-1 and SF-3 are permissible registration statement forms for those securities.

As discussed above in Question 25, the staff of the SEC has reaffirmed its general position since the issuance of its 2007 no-action letter for the West Virginia securitizations that utility securitizations are "asset-backed securities." Hence, if steps are taken to structure the security so that it technically falls outside the definition of "asset-backed security", as were taken in the West Virginia transactions, it is uncertain whether or not the staff of the SEC would continue to adhere to its position in the 2007 no-action letter, and further discussions with SEC staff would be necessary. If it is determined that an additional no-action letter is required to be obtained from the SEC, significant delays and additional expenses would likely to be incurred.

Another relevant question to ask is why the PE Environmental/MP Environmental Funding precedent would be followed even if DEF could prevail upon the SEC to adhere to its 2007 position. Other than the 2007 and 2009 West Virginia transactions, no other utility securitization has utilized a Form S-1 registration statement. It is my understanding that even the Florida Commission permitted FPL to file its registration statement using Form S-3 (and not a Form S-1), following inquiries with the SEC by FPL and the Commission about the potential use of Form S-1. Further, the West Virginia Commission abandoned any interest in the use of a Form S-1 for subsequent utility securitizations. The West Virginia 2013 financing by Appalachian Consumer Rate Relief Funding LLC utilized a Form S-3 (rather than Form S-1).

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[6] http://www.sec.gov/Archives/edgar/data/1384732/000095012007000009/forms-1.htm; http://www.sec.gov/Archives/edgar/data/1384732/000095012007000009/forms-1.htm; http://www.sec.gov/Archives/edgar/data/1384731/000095012007000035/forms-1.htm; http://www.sec.gov/Archives/edgar/data/1384731/000119312509247388/ds1.htm.

Finally, it appears that one of the structuring assumptions behind the SEC's 2007 no action letter in the West Virginia securitizations was the flexibility of PE Environmental/MP Environmental Funding to issue additional indebtedness (including additional debt securities that were not environmental control bonds) in future transactions. Section 366.95(5)(a)3., Florida Statutes, does not permit the SPE, which is created for the purposes of issuing nuclear asset-recovery bonds, to issue anything other than nuclear asset-recovery bonds.

Accordingly, and consistent with overwhelming historic and recent precedent, DEF currently anticipates filing its registration statement on new Form SF-1 and treating the securities as "asset-backed securities" for the purposes of SEC registration and Regulation AB.

29. Must the proposed Nuclear Asset Recovery Bonds be treated as "asset-backed securities" for purposes of Section 943 of the Dodd-Frank Act and SEC Rule 17g-7?

Answer: As explained in Question 25 above, the definition of "asset-backed securities" under Section 3(a)(79) of the Exchange Act (which was added by the Dodd Frank Act in July 2010) includes public utility securitizations of the type contemplated by DEF, which is why the risk retention rulemaking under Section 941 of the Dodd-Frank Act specifically exempted public utility securitizations from the scope of the risk retention rules. However, it does not appear that all of the rating agencies have posted 17g-7 reports for recent utility securitizations and we are unable to explain their legal rational. S&P noted in a release entitled "Standard & Poor's Expands Structured Finance Ratings To Comply With SEC Rule 17g-7" on September 1, 2011 that:

> Certain securities that we believe fall under the Exchange Act ABS definition typically do not contain representations, warranties and enforcement mechanisms that are available to investors (examples include tender option bonds and match-funded ABCP) and, therefore, Standard & Poor's will not publish benchmarks (described below) or in most cases 17g-7 disclosure reports in these circumstances.

S&P may have taken the position that in stranded cost transactions that the representations, warranties and enforcement mechanisms are not "available to investors", and consequently determined that a 17g-7 report was not required to comply with paragraph (a)(ii)(N)(1) of Rule 17g-7. However, we note that Fitch Ratings does appear to have determined that a "utility tariff ABS" transaction, like the one contemplated by DEF, is an "asset-backed security" under the Exchange Act since Fitch Ratings published reports pursuant to SEC Rule 17g-7 for both the First Energy and LIPA public utility securitizations. In addition, Fitch Ratings updated its description of the representations, warranties and enforcement mechanisms commonly found in utility tariff ABS transactions on June 12, 2015 as part of their report entitled "Representations, Warranties and Enforcement Mechanisms in Global Structured Finance Transactions", presumably to permit compliance with paragraph (a)(ii)(N)(1) of Rule 17g-7 which specifically applies to an "asset-backed security" as defined under Section 3(a)(79) of the Exchange Act. Since Rule 17g-7 applies to the rating agencies, they would be better positioned to respond regarding their application of Rule 17g-7 to utility securitizations, but even if they view rule 17g-7 as not being applicable (which does not universally appear to be the case), it does not necessarily follow that the rating agencies believe that utility securitizations fall outside the scope of "asset-backed securities" under Section 3(a)(79) of the Exchange Act, especially since the rating agencies generally categorize these securities as asset-backed securities in their reports related to utility securitizations.

30. What aspects of new Regulation AB II would apply by analogy in respect of Nuclear Asset-Recovery Bonds offered on SEC Form S-1?

Answer: Again, please refer to the answer to Question 25, where we stated that there appears to be little doubt that the SEC generally considers utility securitizations as an "asset-backed security" based on the two rulemakings which occurred after the 2007 no-action letter. Said differently, the only way to utilize Form S-1 would be to confirm with the SEC that its view has not changed since the issuance of the 2007 West Virginia no-action letter, and its rulemaking with respect to the implementation of Regulation AB II and Dodd-Frank would indicate otherwise (not to mention the limitations on the type of debt that can be issued pursuant to Section 366.95).

However, even assuming that the SEC confirmed its prior advice and DEF registered the securities on Form S-1, DEF, like the West Virginia utilities, would be required to file periodic reports related to the bonds in compliance with the disclosure and reporting regime required by Regulation AB. In other words, all of the substantive disclosure obligations under Regulation AB (as amended by Regulation AB II) would apply to the DEF utility securitization directly, and not simply by analogy.

Additionally, Form S-1 requires a number of disclosures that are inapplicable in the context of a public utility securitization. However, Form S-1, by its terms, does not automatically exempt public utility securitizations from making those disclosures. The staff of the SEC would likely evaluate any omissions of the Form S-1 requirements and their approval would be required. Even though the SEC staff may permit DEF to omit certain disclosures required by Form S-1, that does not foreclose investors from later arguing that certain disclosures required by Form S-1 were not made, which could result in liability under Section 11 of the Securities Act.

31. In Findings of Fact 121-127 of its Financing Order issued to FPL,[7] the Commission found it was important and appropriate for the Commission's staff and advisors to participate actively and visibly in presentations and other contacts with the SEC, the press and potential investors. Witness Collins proposes that all contact by the Commission, its staff and its advisors with the SEC, the press and potential investors shall be under the direct control of DEF and its counsel at DEF's sole discretion. (Collins Direct at page 39, line 16 though page 40, line 2). Witness Collins justifies this proposal on the basis that DEF will have primary securities law liability with respect to the Nuclear Asset-Recovery Bonds. (Collins Direct at page 39, lines 19-20). What developments since the date of that FPL Financing Order cause DEF to believe this restriction on participation by the Commission and its representatives in these aspects of the proposed Nuclear Asset-Recovery Bond transaction now are justified?

Answer: Although we do not read those findings of fact from the FPL Financing Order as broadly as indicated in the question, there is no doubt that the SPE and DEF would hold primary securities law liability with respect to the issuance. Accordingly, it is appropriate and justified for all contact between the Staff and its representatives and the rating agencies, the SEC, the press, and potential investors to be under the direct control of DEF. This is not meant to negate the "Bond Team" concept but to protect the entity that bears the primary securities law liability.

[7] Order No. PSC-06-0464-FOF-EI, issued May 30, 2006, in Docket No. 060038-EI.

32. What is the present value revenue requirement savings that corresponds to the $790 million cumulative revenue requirement savings on page 9 of Witness Buckler's direct testimony? What is the assumed discount rate? Why is this considered the appropriate discount rate?

Answer: The present value revenue savings that correspond with the cumulative nominal revenue savings of $790 million are $606 million. These savings are based on a discount rate of 3.288%, which is the weighted average coupon rate of the bond structure shown in Mr. Collins' testimony, page 7. This rate is appropriate because it is consistent with the average estimated coupon interest rates on the nuclear asset-recovery bonds.

33. What was the yield on the 10-year US Treasury bond at the time this savings calculation was made? Please provide the calculation of savings and identify when this calculation was made.

Answer: The savings calculation was performed using interest rates and indicative tranche scenarios as of June 30, 2015. The calculation of customer savings is merely (i) the total cumulative revenue requirement under the Traditional Recovery Method of $2,560 million as presented in Exhibit __(MO-2A) attached to Ms. Olivier's testimony less (ii) the estimated cumulative revenue requirement under the proposed bond structure of $1,770 million as presented in Exhibit __(MO-2B). The difference in total revenue requirement is $790 million. Additional information for each of the total revenue requirement amounts above are included in testimonies included with DEF's petition in this preceding.

The rate on the 10-year US treasury bond as of June 30, 2015 was 2.35%. Total estimated coupons (inclusive of estimated credit spreads above benchmark swap rates) are included for each tranche within Exhibit ___ PC-1.

34. Is it a conflict of interest to have DEF's financial advisor also be an underwriter, and therefore, a purchaser of the bonds?

Answer: Morgan Stanley is DEF's structuring advisor for this proposed transaction, and its responsibilities include reviewing of enacted legislation; reviewing Company financing objectives; reviewing rating agency criteria with the Company; developing preliminary financing structures; developing interest rate risk management structures, if applicable; developing the mechanics of properly effecting the Financing, including assistance with preparing billing and collection systems; assistance with preparing related testimony of various Company witnesses; reviewing draft transaction documents; assistance in developing and applying for a proposed financing order; and providing expert direct testimony and rebuttal testimony (if any).

DEF, through its inquiries of its legal advisors and financial institutions, notes it is common for firms to participate as both structuring advisor and underwriter on utility securitization transactions. The document attached to this response (bearing Bates numbers 150148-STAFFROG2-34-000001 through 000002) includes listings of utility securitization transactions provided by Goldman Sachs and Morgan Stanley. These listings demonstrate that it is a common practice for these financial institutions to participate as both structuring advisor and underwriter on utility securitization transactions. The participation of a financial institution as both structuring advisor and underwriter may result in efficiencies in both costs and timing that will benefit customers. We are not currently aware of any conflict of interest concerns. However, if such conflict of interest concerns were to be expressed, we would propose to address those concerns through the underwriting request for proposal process and through disclosure in the prospectus as well as undertake the hiring of multiple underwriters. DEF proposes to engage multiple underwriters to ensure the best advice is obtained, and to diminish the influence of any one advisor. DEF would like to attain advice from the most experienced financial institutions in the utility securitization arena to ensure sufficient investor demand is obtained and a successful transaction results. Further, DEF plans to engage the underwriters early enough in the process to ensure their input is taken into consideration before finalizing the structure that would be presented to the rating agencies and investors. Please note the document referenced above is confidential. A redacted version is attached hereto. An unredacted version has been filed with the FPSC along with DEF's Notice of Intent to Request Confidential Classification dated August 31, 2015.

As indicated in my testimony and discussed in the response to Interrogatory No. 17, DEF, in consultation with the other members of the Bond Team, expects to conduct a request-for-proposal process to select underwriters for the transaction. Morgan Stanley should not be excluded from participation in the request-for-proposal process or the related

underwriting services if it demonstrates it has satisfactory experience marketing and selling utility securitization bonds, and assuming sufficient expertise and influence is obtained by hiring multiple appropriately qualified underwriters.

35. How does the pricing of AAA-rated utility securitizations compare to other AAA-rated securities such as AAA-rated credit cards, US agencies, corporates, etc.?

Answer: For the comparison between utility securitizations and AAA-rated credit cards, please see question 36 below.

U.S. agency securities (debentures) are considered by the market to be interest rate products as opposed to credit products like unsecured corporate debt, for example. Other interest rate products include U.S. Treasuries and Fannie Mae, Freddie Mac, and Ginnie Mae mortgage pass-throughs. Interest rate products trade very differently than other fixed income products, as they trade to liquidity and not to credit. This is not to say there is no risk to interest rate products, but that risk primarily comes from a bond's sensitivity to interest rate movements (and convexity, if applicable). The primary hallmark of an interest rate product is its liquidity both in the primary and secondary space; more specifically, in the extremely tight bid/offer spreads and in its large issuance sizes. For example, Fannie Mae has issued approximately $3.6 trillion in debt since 2010. Moreover, interest rate products have favorable treatment in the repo market and at the Federal Reserve's discount window. As such, comparing utility securitization spreads (in fact, most AAA-rated assets) against an interest rate product is not an appropriate one.

In terms of the pricing differential versus AAA corporates, an indication of the difference is the AAA-rated Johnson & Johnson 1.125% due in November 2017, a 3-year transaction, issued in November 2014, which priced at a spread of 20 basis points over the 3-year U.S. Treasury. Adjusting for the swap spread of 18 basis points that is the equivalent of a credit spread on a swaps basis of 2 basis points. By comparison, the 3-year A-1 tranche of the State of Hawaii HGEMS 2014-A deal from the same month priced at a credit spread of 30 basis points over swaps. However, it is worth pointing out the Johnson & Johnson deal is a bullet maturity, which corporate investors typically prefer, and the HGEMS structure is amortizing in nature. Further, corporate debt is also recourse to the corporation, has large class sizes, and is plain vanilla in terms of the structure, whereas utility securitization are non-recourse to the utility, have smaller class sizes, and are structured. Any comparison of utility securitizations to AAA-rated corporate debt must take these considerations into account.

36. In general, are AAA-rated utility securitizations more risky or less risky than AAA-rated credit card securitizations? If so, what is the current basis-point trading spread between those two types of securitizations for comparable weighted average life tranches?

Answer: Not all AAA-rated assets trade the same. Any basis point trading differential is not directly attributable to the general riskiness of one asset class relative to another. There are other driving factors, including: (i) whether the security is fixed or floating, amortizing or a bullet, or revolving or static; (ii) the underlying collateral, its prepayment characteristics (if any), the longevity of its historical performance, and that performance through a cycle; (iii) the nature of the underlying business, whether it is an ongoing concern or simply a trade, and the sponsor's ongoing involvement; (iv) the amount and type of credit enhancement for the transaction; (v) the amount of issuers in the sector and the similarity of the structures across issuers; (vi) the frequency of new issue transactions in the sector and the amount of secondary liquidity; and (vii) the correlation to other asset classes and/or sectors of the economy, to name some.

Furthermore, it is worth noting that credit card securitizations and other master trust-style transactions are somewhat unique in terms of their structure in the structured finance space. Since they are offered via master trusts, they can be issued with more flexibility: they can be offered as fixed or floating debt and the issuer has more flexibility to select its desired maturity. Further, credit card securitizations are structured as bullets, similar to corporate debt (and, as previously mentioned, corporate investors typically prefer bullet structures), and do not amortize like most structured finance products. In addition, investors generally like the asset class because most of the transactions look similar and the sector is highly liquid (2015 YTD, there has been approximately $18 billion issued).

Credit card portfolios also have high aggregate yields and annualized charge-off rates. For example, the Moody's credit card index, as of June 2015, has aggregate yield at 19.13% and annualized charge-offs of 2.59%. However, the high quality nature of the bonds is the result of their master trust structures with investor-friendly early amortization triggers.

In terms of the pricing differential, an indication of a pricing difference is the State of Hawaii utility securitization (HGEMS 2014-A) from November 2014 and a Chase credit card securitization (CHAIT 2014-A7) from the same week. The 3-year A-1 tranche of the HGEMS deal priced at a credit spread of 30 basis points over swaps and the 2.99-year CHAIT priced at a spread of 26 basis points.

37. Who will be doing the modeling of this transaction, including modeling of revenue by rate class and sensitivity analysis for presentation to the rating agencies?

Answer: The modeling of the transaction will be a collaborative effort between DEF, Morgan Stanley and, once the request for proposal process is completed, the SPE's underwriters. Morgan Stanley will be primarily involved in modeling the proposed bond structure, debt service requirements and preparation of sensitivity analyses for rating agency presentations, with input from DEF, the Bond Team, and the SPE's underwriters. DEF will have primary responsibility for preparing computations of customer savings and revenue and rate class impacts.

38. While DEF is acting as servicer, if DEF remits funds monthly rather than daily, how will the funds held be invested and who will be credited with the earnings on those funds?

Answer: DEF does not expect to segregate collections received from nuclear asset-recovery charges from its general funds prior to remitting such funds to the trustee. Therefore, DEF will manage these funds in accordance with its normal cash management practices. Those practices include investing excess cash, if any, in the Duke Energy internal money pool arrangement (e.g., lending to Duke Energy's other regulated utility companies) or in overnight money market funds. Investments in the Duke Energy internal money pool arrangement earn interest at the Tier-1 commercial paper rate. Investments in money market fund earn interest at prevailing market rates. As DEF's cash position can change significantly on a daily basis, DEF does not believe it would be possible to accurately attribute actual cash investment earnings of DEF to nuclear asset-recovery charge collections. Rather DEF proposes to allocate investment earnings to such collections based on the average of the beginning and ending Tier-1 commercial paper rate (i.e., 30-day Federal Reserve "AA" Industrial Commercial Paper Composite Rate) for each month. This method is consistent with the process used by DEF when allocating interest to over and under-collections on DEF's cost recovery clauses.

As stated on page 12, lines 9-10 of Michael Covington's testimony "DEF would include in any remittance investment earnings which are estimated to have been earned on such collections while in the hands of DEF."

39. Why is the appropriate return earned by DEF on the Company's investment in the capital subaccount equal to the rate of interest payable on the longest tranche outstanding rather than the weighted average of the rates of interest payable on all the tranches or actual earnings?

Answer: The use of the interest rate on the longest tranche is an appropriate balance of providing a reasonable return on its equity investment in the SPE and mitigating customer rate impacts. DEF's allowed rate of return on equity for the CR3 Regulatory Asset is 7.35%, and thus would appear to be the appropriate rate for this equity investment. However, DEF is willing to accept a lower rate, proposed as the interest rate on the longest tranche, as it is consistent with another transaction discussed below. Also, the longest tranche was selected as its life equates to the life of the equity investment. DEF notes the use of the interest rate on the longest tranche was approved in other transactions, including transactions before the Public Service Commission of West Virginia.

AFFIDAVIT

STATE OF NORTH CAROLINA)
)
COUNTY OF MECKLENBURG)

Before me, the undersigned authority, on this 31st day of August, 2015, personally appeared **BRYAN BUCKLER**, who

(X) is personally known to me, or

( ) produced _____ as identification and who, acknowledged before me that he reviewed and approved the answers to Interrogatory Numbers 8 through 13, 14, 16 through 20, 23, 33, 34, and 37 through 39 of Staff's Second Set of Interrogatories to Duke Energy Florida, Inc. (Nos. 8-39) in Docket No. 150171-EI and the responses are true and correct to the best of his knowledge.

In Witness Whereof, I have hereunto set my hand and seal in the State and County aforesaid as of this 31st day of August, 2015.

Bryan Buckler

Bryan Buckler

Heather Paige Blum

Notary Public
State of North Carolina

My commission Expires: 1-9-2018

AFFIDAVIT

STATE OF NEW YORK)
)
COUNTY OF New York)

Before me, the undersigned authority, on this 31st day of August, 2015, personally appeared **PATRICK COLLINS**, who

(X) is personally known to me, or

( ) produced _____ as identification and who, acknowledged before me that he reviewed and approved the answers to Interrogatory Numbers 12 through 14, 20 through 31, 33, 35, and 36 of Staff's Second Set of Interrogatories to Duke Energy Florida, Inc. (Nos. 8-39) in Docket No. 150171-EI and the responses are true and correct to the best of his knowledge.

In Witness Whereof, I have hereunto set my hand and seal in the State and County aforesaid as of this 31st day of August, 2015.

Patrick Collins

Julie A. Floyd
Notary Public
State of New York

My commission Expires: Oct. 3, 2017

JULIE A FLOYD
Notary Public, State of New York
No. 01FL6134780
Qualified in New York County
Commission Expires October 3, 2017

AFFIDAVIT

STATE OF NORTH CAROLINA)
)
COUNTY OF MECKLENBURG)

Before me, the undersigned authority, on this 31 day of August, 2015, personally appeared **MICHAEL COVINGTON**, who

(✓) is personally known to me, or

( ) produced _____ as identification and who, acknowledged before me that he reviewed and approved the answers to Interrogatory Numbers 18, 19, and 38 of Staff's Second Set of Interrogatories to Duke Energy Florida, Inc. (Nos. 8-39) in Docket No. 150171-EI and the responses are true and correct to the best of his knowledge.

In Witness Whereof, I have hereunto set my hand and seal in the State and County aforesaid as of this 31 day of August, 2015.

Michael Covington

Kim V. Beal
Notary Public
State of North Carolina

My commission Expires: Oct 24, 2019

KIM V BEAL
Notary Public
Catawba County
NORTH CAROLINA

AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF PINELLAS)

Before me, the undersigned authority, on this 31 day of August, 2015, personally appeared **MARCIA OLIVIER**, who

(X) is personally known to me, or

( ) produced _____ as identification and who, acknowledged before me that he reviewed and approved the answers to Interrogatory Numbers 10, 15, 32 and 33 of Staff's Second Set of Interrogatories to Duke Energy Florida, Inc. (Nos. 8-39) in Docket No. 150171-EI and the responses are true and correct to the best of his knowledge.

In Witness Whereof, I have hereunto set my hand and seal in the State and County aforesaid as of this 31 day of August, 2015.

Marcia Olivier

Marcia Olivier

Sarah Hirschman Libes
NOTARY PUBLIC
STATE OF FLORIDA
Comm# FF105231
Expires 3/23/2018

Notary Public
State of Florida

My commission Expires:
3/23/2018

Duke Energy

Structuring Advisory Fee Proposal

Structuring Advisory Fee Proposal

- [redacted]
- [redacted]
- [redacted]
- [redacted]

Indication of Underwriting Fee

- [redacted]
- [redacted]

Recent Underwriting Fees

Closing Date	Sponsor	State	Amount	Sched. Final (Years)	No. Bookrunners	UW Fee
[redacted]						%

150148-STAFFROG2-8-000001

Morgan Stanley

[redacted]

Financial/structuring advisory fees

[redacted]

Underwriting fees:

[redacted]

Appendix B. Underwriting Fees

Issuance	Principal	UW Discounts & Commissions %	UW Discounts & Commissions $
State of Hawaii - GEMS			(Nov-2014)
[redacted]			

Issuance	Principal	UW Discounts & Commissions %	UW Discounts & Commissions $
CenterPoint Energy Transition Bond Company, IV			(Jan-2012)
[redacted]			

150148-STAFFROG2-8-000003

Morgan Stanley - Line 6
engagement letter

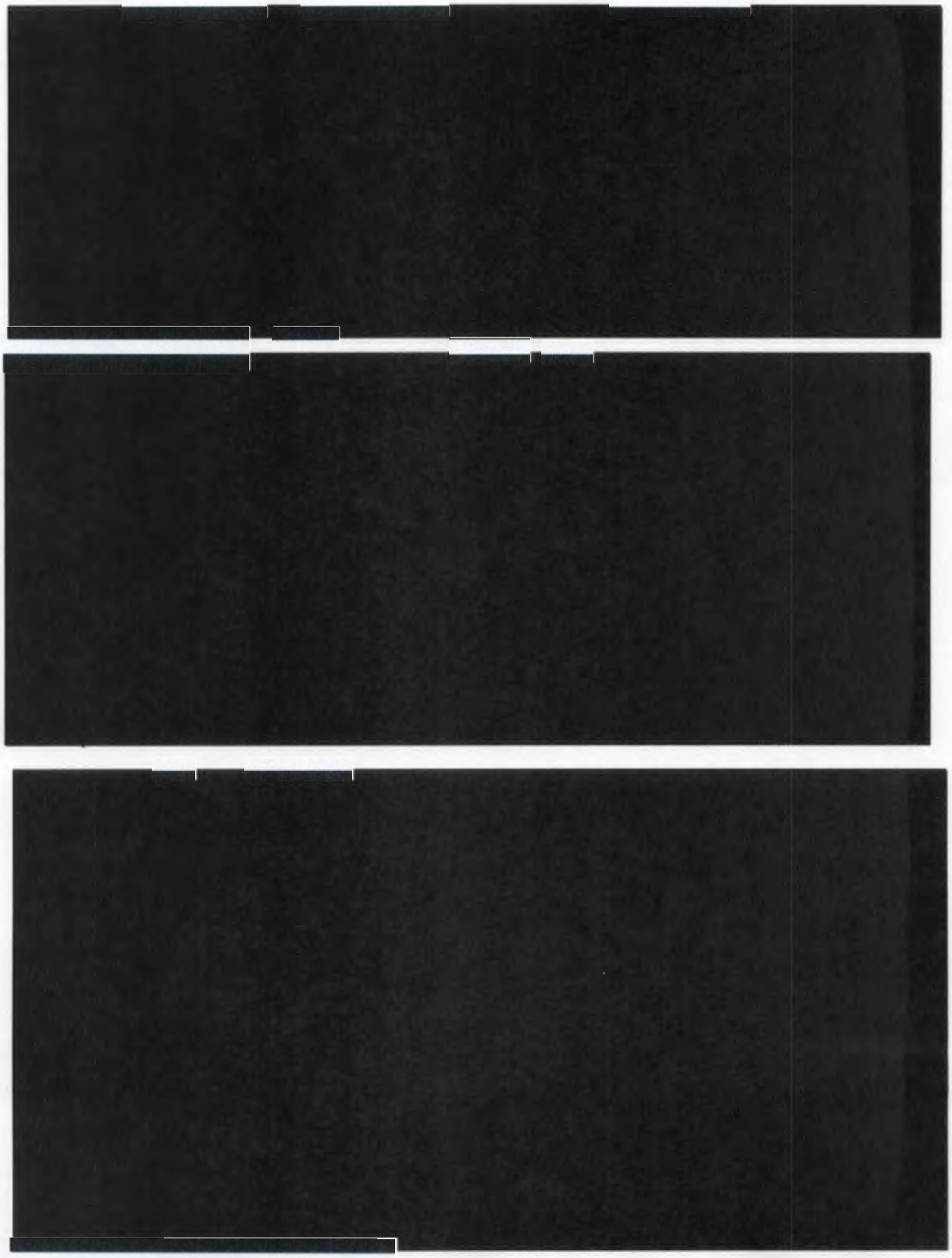
CONFIDENTIAL

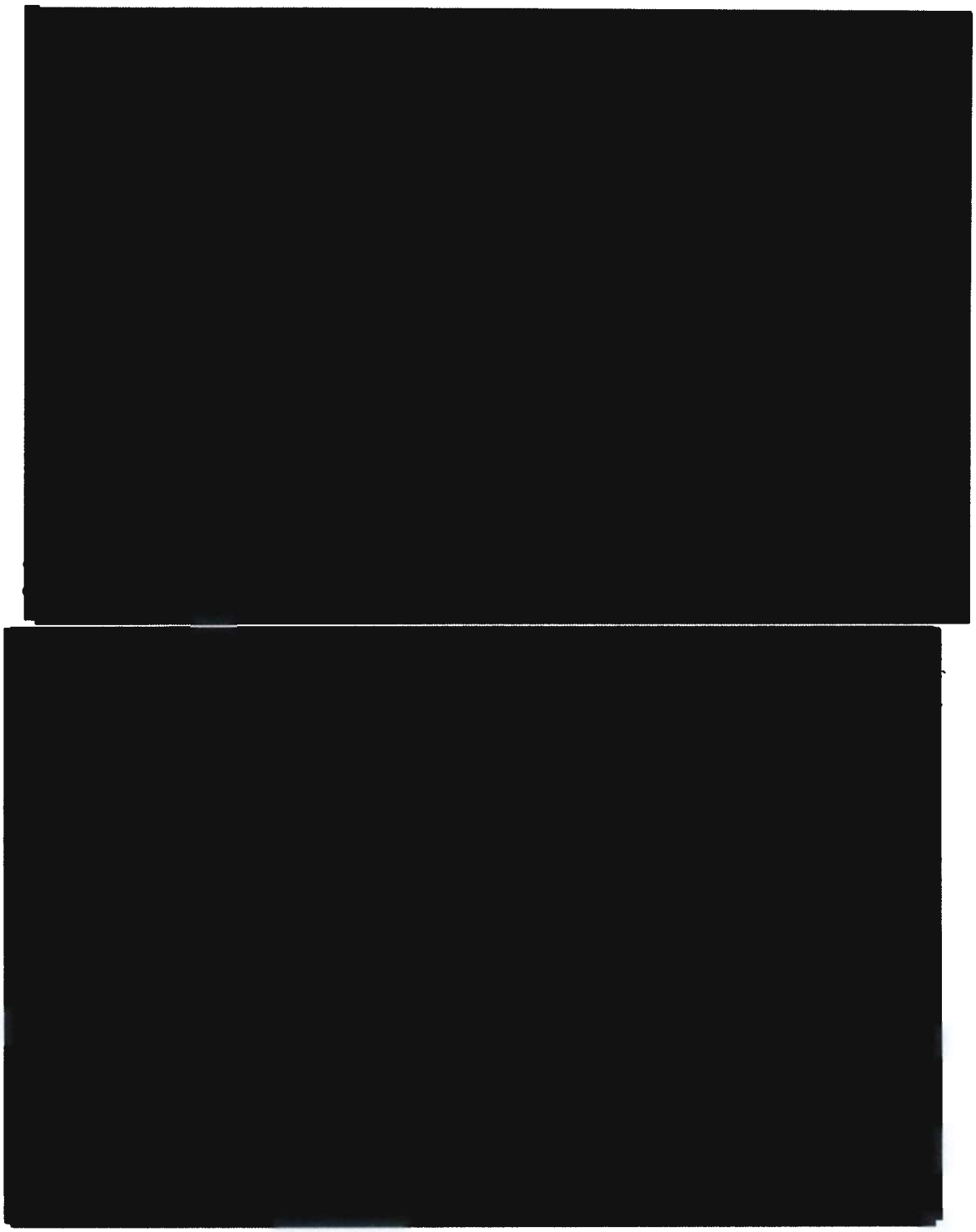
June 26, 2015

Duke Energy Florida, Inc.
550 South Tryon Street
Charlotte, NC 28202

Ladies and Gentlemen:

[redacted]





If the terms hereof are acceptable to the Company, please sign and return one of the originals to the undersigned. We very much look forward to working with you on this engagement.

Very truly yours,

MORGAN STANLEY & CO. LLC

By: _____
Name: Patrick Collins
Title: Executive Director

ACCEPTED AND AGREED
as of the date first written above:

DUKE ENERGY FLORIDA, INC.

By: W. Bryan Buckler
Name: W. Bryan Buckler
Title: Assistant Treasurer

EXHIBIT A

Morgan Stanley & Co. LLC
1585 Broadway
New York, New York 10036

Ladies and Gentlemen:

[redacted]

Very truly yours,

DUKE ENERGY FLORIDA, INC.

By: W. Bryan Buckler
Name: W. Bryan Buckler
Title: Assistant Treasurer

Accepted:

MORGAN STANLEY & CO. LLC

By:
Name: Patrick Collins
Title: Executive Director

Date: JUNE 26, 2015

Upfront lines 7, 9 - 12

PART III:
ESTIMATED UPFRONT FINANCING COSTS

Underwriters' Fees	$ 1,521,200
APCo's/BondCo Counsel and Underwriters' Counsel Legal Fees & Expenses	$ 1,723,000
Rating Agencies' Fees	$ 370,793
APCo's Financial Advisor Fees & Expenses	$ 50,000
Commission Financial Advisor Fees & Expenses	$ 150,000
SEC Registration Fee	$ 49,202
Printing/Edgarizing Expenses	$ 30,000
Miscellaneous Administrative Costs, including Original Issue Discount & Underwriters' Out-of-Pocket Expenses	$ 127,222
Accountant's Fees	$ 170,000
Servicer's Set-Up Costs	$ 50,000
Trustee's/Trustee Counsel's Fees & Expenses	$ 14,000
BondCo Set-Up Costs	$ 20,000
TOTAL ESTIMATED UPFRONT FINANCING COSTS SECURITIZED*	$ 4,275,417

* Although the actual estimate is set forth above, pursuant to the Financing Order the maximum allowable Upfront Financing Costs to be included in the Securitization is equal to the sum of (1) the fees charged and costs incurred by the Commission Financial Advisor and (2) the lesser of $5,750,000 or the actual aggregate amount of the other Upfront Financing Costs (i.e. other than the fees and costs of the Commission Financial Advisor) actually incurred by the Applicants.

Appalachian Power Company Issuance Advice Letter

ESTIMATED ONGOING FINANCING COSTS

	ANNUAL AMOUNT
Ongoing Servicer Fees (APCo or affiliate as servicer)	$ 190,150
Administration Fees	$ 100,000
Accountant's Fees	$ 75,000
Legal Fees/Expenses for Applicants'/BondCo's Counsel	$ 30,000
Trustee's/Trustee Counsel Fees & Expenses	$ 10,000
Independent Managers' Fees	$ 5,000
Rating Agency Fees	$ 35,000
Printing/Edgarization Expenses	$ 2,500
Return on Capital Contribution at 5.85% per annum	$ 111,238
Miscellaneous	$ 15,000
TOTAL (APCO AS SERVICER) PROJECTED ANNUAL ONGOING QUALIFIED COSTS	$ 573,888
Ongoing Servicer Fees (Third Party as Servicer – 1.25% of original principal balance)	$ 4,753,750
Other Servicing Fees	$ 383,738
TOTAL (THIRD PARTY AS SERVICER) PROJECTED ONGOING FINANCING COSTS	$ 5,137,488

5 bps

Note: The amounts shown for each category of operating expense on this attachment are the expected expenses for the first twelve months of the consumer rate relief bonds. Consumer rate relief charges will be adjusted at least annually to reflect any changes in Ongoing Financing Costs through the true-up process described in the Financing Order.

Appalachian Power Company Issuance Advice Letter

Upfront lines 7, 9-12

Ongoing

APPALACHIAN POWER COMPANY
ENEC Securitization
Projected Financing Costs at February 5, 2013

$380.3m

Up-Front Financing Costs

Underwriters' Fees	$2,111,500
Legal Fees	3,000,000
Rating Agency Fees	561,742
Company's Financial Advisor Fees & Expenses	550,000
Printing/Edgarizing	30,000
SEC Registration Fee	18,396
Miscellaneous Administrative Costs[1]	564,531
Accountant's Fees	170,000
Servicer's Set-up Costs	30,000
Trustee's/Trustee Counsel's Fees	25,000
SPE Setup Costs	10,000
Subtotal	$7,101,169

Ongoing Financing Costs

	Annual Amount	
	APCo as Servicer	Third-Party as Servicer
Ongoing Servicer Fee (0.05% of initial principal amount for APCO, 1.25% for Third-Party Servicer)	$ 211,150	$ 5,278,750
Administration Fee	100,000	100,000
Accountants' Fee	50,000	50,000
Legal Fees/Expenses for Company's/Issuer's Counsel	30,000	30,000
Trustee's/Trustee's Counsel Fees and Expenses	10,000	10,000
Independent Managers' Fees	5,000	5,000
Rating Agency Fees	45,000	45,000
Printing/EDGARization Expenses	2,500	2,500
Return on Capital Contribution (LTD Rate)	123,523	123,523
Miscellaneous	15,000	15,000
TOTAL	$ 592,173	$ 5,659,773

Notes:
1) Includes Original Issuance Discount (OID) amount and Underwriters' out-of-pocket expenses.

Upfront lines - 7, 9 - 12

Case No.: U-17473
Exhibit: A-7 (JJM-2)
Witness: JJMurphy
Date: September 2013
Page: 1 of 1

CONSUMERS ENERGY COMPANY

INITIAL OTHER QUALIFIED COSTS

$378m

Line No.	Description	Amount
	Up-front Costs of Issuing Securitization Bonds	
1	Underwriting Discount and Fees	$2,500,000
2	Underwriters' Reimbursable Expenses	25,000
3	SEC Registration Fee	65,000
4	Legal Fees	4,500,000
5	Rating Agency Fees	700,000
6	Auditor Fees	~~170,000~~
7	Printing Fees	~~20,000~~
8	Trustee Fees and Expenses	~~10,000~~
9	Blue Sky Fees	20,000
10	SPE Organizational Costs	~~100,000~~
11	Original Issue Discount	100,000
12	Costs of the Commission	200,000
13	Miscellaneous	~~90,000~~
14	Total Issuance Expenses	$ 8,500,000
	Additional Qualified Costs	
15	Other (Call or Tender Premiums and Associated Costs to Retire Debt)	20,000,000
16	Total Additional Expenses	$ 20,000,000
17	Total Initial Other Qualified Costs	$ 28,500,000

Ongoing

CONSUMERS ENERGY COMPANY

ONGOING OTHER QUALIFIED COSTS OF THE SPE

Case No.: U-17473
Exhibit: A-8 (JJM-3)
Witness: JJMurphy
Date: September 2013
Page: 1 of 1

Line No.	Description	Amount
1	Servicing Fee @ 0.10%*	$454,300
2	Auditor Fees	100,000
3	Trustee Fees and Expenses	22,000
4	Independent Director Fees	7,000
5	Rating Agency Fees	15,000
6	SEC Reporting Expenses	50,000
7	Administrative Fee	50,000
8	Miscellaneous	1,700
9	Total Ongoing Other Qualified Costs	$700,000

*This fee is based upon the original principal amount of securitization bonds outstanding and assumes that the Company or an affiliate is the servicer.

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	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 Issuc 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	$ 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	

Duke Energy Florida

Nuclear Asset-Recovery Bond Issuance

Discussion of Estimated Up-front Bond Issuance Costs and Ongoing Financing Costs

Amounts in Document No. BB-1 represent estimates as of the date of DEF's filing of its petition for a financing order. Such estimates will be refined, as needed, up to the date of the issuance of the nuclear asset-recovery bonds.

The following discussion provides the basis for estimating each of the line items included in Document No. BB-1.

Up-front Bond Issuance Costs

The Company included estimated up-front bond issuance costs of $13.8 million in the proposed structure presented in its petition for a financing order. This amount approximates the average of the range of estimated up-front bond issuance costs shown in Document no. BB-1. The slight difference relates to refinement of the estimates subsequent to the date the Company requested Morgan Stanley model the proposed structure. The Company did not request Morgan Stanley update the proposed structure for these refinements due to additional time required for the Company to update various testimony and exhibits resulting from a revised proposed structure. We deemed expediting the filing of the petition to be more important than updating the proposed structure for these refinements considering the Company will likely provide updated proposed structures to the Commission staff prior to the issuance of the financing order.

The basis for estimating each line of the estimated up-front bond issuance costs schedule is discussed below.

Underwriting Fees and Expenses – Line 1

Lower end of the range is computed at 40 basis points on the estimated principal amount of the nuclear asset recovery bond issuance. Also includes a credit of $400,000 for the structuring advisor fee as discussed in the Company's engagement letter with Morgan Stanley for structuring advisor services if Morgan Stanley is selected as an underwriter and is compensated at least $400,000 higher than the next highest compensated underwriter on a net basis. ($1,311,800,000 X 0.004 -$400,000 = $4,847,200)

Upper end of the range is computed at 50 basis points on the estimated principal amount of the nuclear asset recovery bond issuance based on a summary of underwriting fees paid on utility securitization transactions since October 2009. Does not include crediting of any structuring advisor fee under the assumption Morgan Stanley is not selected as an underwriter. ($1,311,800,000 X 0.005 = $$6,559,000)

Estimated fees are based on underwriting fee indications received from 3 of the 4 financial institutions responding to the Company's request for proposal for structuring advisory services. The fourth financial institution did not provide an underwriting fee indication but rather provided a summary of underwriting fees paid on utility securitization transactions since October 2009.

Servicer Set-up Fees (including Information Technology Programming Costs) – Line 2

Includes the cost of modifying the Company's customer billing system to provide for the billing, collecting and reporting on nuclear asset-recovery charges. The Company's initial estimate of this project cost is $2.9 million which is reflected as the upper end of the range. The current estimate for this project is $1.9 million and presented as the lower end of the range.

Legal Fees – Line 3

Includes expenses for issuer, structuring advisor, underwriters, and Commission advisor counsel. The lower end of the range represents an estimate of cost assuming a smooth, non-contentious process from preparing the filing of an application for a financing order through the issuance of the bonds. The upper end of the range represents an estimate of costs assuming lengthy resolution of significant, contentious issues throughout the process. Estimates are based on verbal discussions with issuer, structuring advisory, and underwriter counsel and a rough estimate for the Commission advisor counsel.

Rating Agency Fees – Line 4

The upper end of the range is based on quotes received from each of the three rating agencies. It is our understanding from Morgan Stanley that the agencies frequently do not charge the full amount of fees initially quoted. The lower end of the range is based on guidance from Morgan Stanley and is believed to be indicative of amounts charged on recent transactions.

Commission Financial Advisor Fee – Line 5

The lower end of the range represents the fixed component of the Commission's financial advisor's fee based on review of Saber Partner's response to the Commission's request for proposal. The upper end of the range represents total compensation noted in the same document.

DEF Structuring Advisor Fee – Line 6

The lower end of the range is based on the Company's executed engagement letter for structuring advisory services with Morgan Stanley. The upper end of the range allows for additional fees in the event services performed significantly exceed those originally anticipated upon execution of the engagement letter (shown as a 50 percent increase for illustrative purposes only).

Auditor Fees – Line 7

The lower end of the range represents the amounts observed in 2014 securitization filing for Consumers Energy Company (CEC) and 2013 Appalachian Power Company (APC) Issuance Advice Letter (IAL). The upper end of the range provides for scaling of these fees for the larger size of the Company's proposed nuclear asset-recovery bond issuance (shown as a 50 percent increase for illustrative purposes only). The company received an estimate of $150,000 - $200,000 from Deloitte, its existing external auditor, after testimony and exhibits were substantially complete.

SEC Fees – Line 8

The estimate is calculated using the SEC's current required filing fee of $116.20 per $1,000,000 of securities offered, assuming a proposed maximum aggregate offering price of $1,311,800,000.

SPE Set-up Fee – Line 9

The lower end of the range is based on an estimate of legal fees from Delaware LLC counsel and is consistent with the 2013 APC IAL. The upper end of the range represents the amount observed in the 2014 filing for CEC. The company received an estimate of $20,000 - $25,000 from its existing Delaware legal counsel after testimony and exhibits were substantially complete.

Marketing and Miscellaneous Fees and Expenses – Line 10

The upper end of the range represents the amount observed in the 2014 filing for CEC. As the Company could not observe a clearly specified amount for comparable expense in the 2013 filing for APC it set the lower end of the range to zero:

Printing/Edgarizing Fee – Line 11

The lower end of the range represents the amount observed in the 2013 filing for CEC. The upper end of the range represents the amount observed in the 2013 APC IAL.

Trustee Fees and Expenses – Line 12

The lower end of the range is based on an estimate of legal fees from the Company's existing mortgage indenture counsel and is consistent with the 2014 filing for CEC. The upper end of the range represents the amount observed in the 2013 filing for APC (note that the 2013 APC IAL which includes trustee costs of $14,000 was obtained after testimony and exhibits were substantially complete).

Original Issue Discount – Line 13

Coupon interest rates are generally set to the nearest one-eighth of a percent (0.125%). The difference between the set coupon and the actual yield calculated by summing the benchmark interest rate and the credit spread is considered the original issue discount. The maximum amount of the original issue discount is 0.124%. No amounts have been reflected in Document No. BB-1 given the discount is related to the coupon convention upon pricing of the nuclear asset-recovery bonds.

Ongoing Financing Costs

The Company included estimated ongoing financing costs of $1,012,900 annually in the proposed structure presented in its petition for a financing order. This amount approximates the $1,166,804 lower end of the range of estimated ongoing financing costs shown in Document No. BB-1. As discussed above, the difference relates to refinement of the estimates subsequent to the date the Company requested Morgan Stanley model the proposed structure.

The basis for estimating each line of the estimated ongoing financing costs schedule is discussed below.

Servicing Fee – Line 1

The lower end of the range is computed at 5 basis points which the Company observed in the 2013 APC IAL and assumes the Company remains the servicer (note the 2014 CEC filing assumed a servicing fee of 10 basis points). The upper end of the range is computed at 60 basis points which assumes an alternative servicer is utilized.

Return on Invested Capital – Line 2

The estimate represents the process observed in the 2007 Allegheny (Monongahela Power) West Virginia transaction. The return is calculated as the coupon interest rate on the longest maturing tranche. This rate of 3.68 percent is included in the preliminary nuclear asset-recovery bond capital structure as shown in Document No. PC-1. Refer to DEF's proposed financing order for more information.

Administration Fee – Line 3

The lower end of the range represents the amount observed in the 2014 filing for CEC. The upper end of the range represents the amount observed in the 2013 APC IAL.

Auditor Fee – Line 4

The lower end of the range represents the amount observed in the 2013 filing for APC (note the 2013 APC IAL which includes auditor fees of $75,000 was obtained after testimony and exhibits were substantially complete). The upper end of the range represents the amount observed in the 2014 filing for CEC. The company received an estimate of $35,000 - $100,000 from Deloitte, its existing external auditor, after testimony and exhibits were substantially complete.

Regulatory Assessment Fees – Line 5

The amount is calculated as 0.072% of the annual revenue requirement of $101,156,644.

Legal Fees – Line 6

The estimates represent the amount observed in the 2013 APC IAL.

Rating Agency Surveillance Fees – Line 7

The amount is based on quotes received from each of the three rating agencies.

Trustee Fees – Line 8

The lower end and upper end of the range represents the amount observed in the 2013 APC IAL. The company received an estimate of $12,900 (trustee fee of $5,400 and depository agent fee of $7,500) from its existing mortgage indenture trustee after testimony and exhibits were substantially complete.

Independent Manager Fees – Line 9

The lower end of the range represents the amount observed in the 2013 APC IAL. The upper end of the range provides for scaling of this fee above the amount observed in the 2014 filing for CEC given the relative size and complexity of the Company's proposed nuclear asset-recovery bond issuance.

Miscellaneous Fees and Expenses – Line 10

The lower end of the range represents the amount observed in the 2014 filing for CEC. The upper end of the range represents the amount observed in the 2013 APC IAL.

Business Case Financial Details

Provide detailed cost and benefit information for both the work effort and 5-year Total Cost of Ownership (TCO).

Cost Detail

* Internal Labor costs should include employee expenses.

Enter all amounts in whole dollars (not thousands or millions).

			2015	2015 Adjusted	2015 Difference		2016	2016 Adjusted			2017	2018	2019	Total	Adjusted Total	Total Difference	Percent
		Total IT Capital Costs	$ -	$ -	$ -	#DIV/0!	$ -	$ -	$ -	#DIV/0!	$ -	$ -	$ -	$ -	$ -	[illegible]	[illegible]
		IT Capital Internal Labor*	$ -	$ -	$ -			$ -	$ -					$ -	$ -	$0.00	
Total Costs before TCO	$2,877,872	IT Capital External Labor	$ -	$ -	$ -			$ -	$ -					$ -	$ -	$0.00	
Total Costs incl TCO (5-year)	$2,877,872	IT Capital Other	$ -	$ -	$ -			$ -	$ -					$ -	$ -	$0.00	
		IT Capital Contingency*	$ -	$ -	$ -			$ -	$ -					$ -	$ -	$0.00	
IT O&M Uptick?	No	**Total IT O&M Costs**	$ 1,224,479	$ 1,069,177	$ 155,302	-14.53%	$ 663,102	$ 449,230	$ 153,872	-34.25%	$ -	$ -	$ -	$ 1,224,479	$ 1,518,407	[illegible]	[illegible]
		IT O&M Internal Labor*	$ 491,619	$ 459,218	$ 32,401		$ 242,141	$ 243,630	$ (1,489)					$ 733,760	$ 702,848	($30,912.00)	
NPV	$ (2,877,872)	IT O&M External Labor	$ 468,209	$ 345,308	$ 122,901		$ 230,610	$ 205,600	$ 25,010					$ 698,819	$ 550,908	($147,911.00)	
		IT O&M Other Costs	$ -	$ -	$ -		$ -	$ -	$ -					$ -	$ -	$0.00	
		IT O&M Contingency*	$ 264,651	$ 264,651	$ -		$ 130,351	$ -	$ 130,351					$ 395,002	$ 264,651	($130,351.00)	
Estimate Classification	Class 3	**Total Business Capital Costs**	$ -	$ -	$ -	#DIV/0!	$ -	$ -	$ -	#DIV/0!	$ -	$ -	$ -	$ -	$ -	[illegible]	[illegible]
		Business Capital Internal Labor*	$ -	$ -	$ -			$ -	$ -					$ -	$ -	$0.00	
		Business Capital External Labor	$ -	$ -	$ -			$ -	$ -					$ -	$ -	$0.00	
		Business Capital Other Costs	$ -	$ -	$ -			$ -	$ -					$ -	$ -	$0.00	
		Business Capital Contingency*	$ -	$ -	$ -			$ -	$ -					$ -	$ -	$0.00	
		Total Business O&M Costs	$ 703,886	$ 286,707	$ 416,988	-145.44%	$ 348,596	$ 93,072	$ 253,524	-272.40%	$ -	$ -	$ -	$ 703,886	$ 379,779	[illegible]	[illegible]
		Business O&M Internal Labor*	$ 302,335	$ 173,285	$ 129,050		$ 148,911	$ 93,072	$ 55,839					$ 451,246	$ 266,357	($184,889.00)	
		Business O&M External Labor	$ 287,938	$ -	$ 287,938		$ 141,820	$ -	$ 141,820					$ 429,758	$ -	($429,758.00)	
Indirect Infrastructure Costs should be entered as provided		Business O&M Other Costs	$ -	$ -	$ -			$ -	$ -					$ -	$ -	$0.00	
by AIIT, and like AFUDC, is not included in the status report		Business O&M Contingency*	$ 113,422	$ 113,422	$ -		$ 55,865	$ -	$ 55,865					$ 169,287	$ 113,422	($55,865.00)	
budget		**Total Project Costs**	$ 1,928,174	$ 1,355,884	$ 572,290	-42.21%	$ 949,698	$ 542,302	$ 407,396	-75.12%	$ -	$ -	$ -	$ 2,877,872	$ 1,898,186	[illegible]	[illegible]
		Indirect Infrastructure Costs	$ -											$ -			
		IT AFUDC	$ -				$ -				$ -	$ -	$ -	$ -			
		Bus AFUDC	$ -				$ -				$ -	$ -	$ -	$ -			
		Ongoing IT O&M Uptick - Applications	$ -				$ -				$ -	$ -	$ -	$ -			
		Ongoing IT O&M Uptick - Infrastructure	$ -				$ -				$ -	$ -	$ -	$ -			
		Ongoing Bus O&M Uptick												$ -			
		Total Cost of Ownership	$ 1,928,174				$ 949,698				$ -	$ -	$ -	$ 2,877,872			

Heath, Tom

From: Fitzpatrick, Michael F. <MFitzpatrick@hunton.com>
Sent: Wednesday August 26, 2015 10:03 AM
To: Heath, Tom
Cc: Lucas, Bob
Subject: Legal Fee Estimate.

Issuer legal counsel

*** Exercise caution. This is an EXTERNAL email. DO NOT open attachments or click links from unknown senders or unexpected email. ***

Tom,

To memorialize what we discussed last month, my estimate for our legal fees is in the range of $1.2 million and $1.7 million.

Of course my goal is to work in the most efficient manner as possible. Please call me if you would like to discuss.

Best Regards,

Mike

HUNTON WILLIAMS

Michael F. Fitzpatrick, Jr.
Partner
mfitzpatrick@hunton.com
p 212.309.1071
bio vCard

Hunton & Williams LLP
200 Park Avenue
52nd Floor
New York, NY 10166
hunton.com

Heath, Tom

From: Tashman, Eric D. <etashman@sidley.com>
Sent: Wednesday, July 22, 2015 4:45 PM
To: Lucas, Bob
Subject: RE: Buckler Draft Testimony

Structuring Advisor + Underwriters legal Counsel

*** Exercise caution. This is an EXTERNAL email. DO NOT open attachments or click links from unknown senders or unexpected email. ***
Bob, my estimate is $250-350k on the structuring side, depending on the length of the administrative process, and $300-400k, on the UC side, assuming we proceed with a registered deal under the new Regulations. Let me know if we need to talk. Thanks. And I hope we have been providing value to you.

ERIC TASHMAN
Partner

Sidley Austin LLP
+1.415.772.1214
etashman@sidley.com

From: Lucas, Bob [mailto:Bob.Lucas@duke-energy.com]
Sent: Wednesday, July 22, 2015 1:31 PM
To: Tashman, Eric D.
Subject: FW: Buckler Draft Testimony

Eric, can we get your best estimate of your total bill on our Florida deal, broken down between structuring advisor counsel and underwriters' counsel, for purposes of this exhibit? I know there are lots of variables but we need at least a good range. Thanks.

Bob Lucas
Office: (704) 382-8152
Mobile: (704) 906-1800
bob.lucas@duke-energy.com

From: Heath, Tom
Sent: Wednesday, July 22, 2015 1:19 PM
To: Buckler, Bryan; Triplett, Dianne; O'Brian, Adam; Jacobi, Christopher M; Miller, Sharon; Portuondo, Javier J; Lucas, Bob; Burnett, John; Collins, Patrick; etashman@sidley.com; Covington, Michael; Jordening, Crystal M
Cc: Fitzpatrick, Michael F.; Olivier, Marcia J
Subject: RE: Buckler Draft Testimony

Updated BB-1 for your review. Potential adjustments to legal fees (to be provided by Bob Lucas) and trustee fees (waiting quote from BONY). All other numbers should be good.

Heath, Tom

From: Lucas, Bob
Sent: Thursday, July 23, 2015 12:22 PM
To: Heath, Tom
Subject: FW: Buckler Draft Testimony

Last one.

RTL

FL Reg Counsel

From: Burnett, John
Sent: Thursday, July 23, 2015 12:18 PM
To: Lucas, Bob; Triplett, Dianne
Cc: Bernier, Matthew
Subject: RE: Buckler Draft Testimony

Bob, Shutts gave us the following:

Thoughts for a range would be approximately $75,000-$150,000.

From: Lucas, Bob
Sent: Wednesday, July 22, 2015 4:33 PM
To: Triplett, Dianne
Cc: Burnett, John; Bernier, Matthew
Subject: FW: Buckler Draft Testimony

John or matt, can you please contact Shutts and Bowen for an estimate of their fees as Florida regulatory counsel on this deal? I know they are new to the deal and maybe not completely informed of what they;'ll be asked to do but we need their best estimate for the upcoming filing, and a range is fine. Thanks.

Bob Lucas
Office: (704) 382-8152
Mobile: (704) 906-1800
bob.lucas@duke-energy.com

From: Heath, Tom
Sent: Wednesday, July 22, 2015 1:19 PM
To: Buckler, Bryan; Triplett, Dianne; O'Brian, Adam; Jacobi, Christopher M; Miller, Sharon; Portuondo, Javier J; Lucas, Bob; Burnett, John; Collins, Patrick; etashman@sidley.com; Covington, Michael; Jordening, Crystal M
Cc: Fitzpatrick, Michael F.; Olivier, Marcia J
Subject: RE: Buckler Draft Testimony

Estimated Legal Fees - Line 3

	Lower End of Range	Upper End of Range
Issuer legal counsel	$ 1,200,000	$ 1,700,000
Structuring advisor legal counsel	250,000	350,000
Underwriters legal counsel	300,000	400,000
Commission legal advisor counsel (rough estimate)	100,000	200,000
Florida regulatory counsel [1]	50,000	50,000
	$ 1,900,000	$ 2,700,000

[1] E-mail estimate from counsel ($75,000 - $150,000) was received after testimony and exhibits were substantially complete.

Heath, Tom

From: Glenn, Erica N
Sent: Monday, July 13, 2015 4:01 PM
To: Heath, Tom
Subject: FW: Fee Quote - on securitization from Fitch

Tom,

Please see below for Fitch's quote. Please note the ongoing annual fee. I would expect that would be an O&M item and was not included in our 2016 budget. Just something to keep in mind as we get the other quotes in. Happy to discuss.

I will let you know when I hear back from the other two.

Thank you,
Erica

From: Sam Haddad [mailto:sam.haddad@fitchratings.com]
Sent: Monday, July 13, 2015 3:36 PM
To: Glenn, Erica N
Subject: Fee Quote

*** Exercise caution. This is an EXTERNAL email. DO NOT open attachments or click links from unknown senders or unexpected email. ***
Erica,

Thanks for reaching out to Fitch for your ABS deal. Our fees would be as follows:

1. $150K for the analysis (one time)
2. 3.5 bps issuance fee on the principal amount of the senior debt (subordinated classes would be 4.0 bps) [one time] Issuance fees are subject to 150K min and 300K max per tranche.
3. 10K annual monitoring fee.

Let me know if you need anything else.

Regards,
Sam G. Haddad
Sr. Director & Group Manager
Business and Relationship Management – Capital Markets
Corporate Ratings – Energy, Natural Resources, Metals & Mining, Utilities

FitchRatings
70 W. Maclison
Chicago, IL 60606
312.368.3190 Office
312.622.4855 Mobile
sam.haddad@fitchratings.com

Heath, Tom

From: Glenn, Erica N
Sent: Thursday, July 16, 2015 8:16 AM
To: Heath, Tom
Subject: S&P securitization fee quote

Tom,

S&P gave us an eight page letter despite the fact I specified that we only needed a fee quote at this time so I am going to call out a few things in the body of this email:

- **Initial rating fee:** 5.5bps of principal ($150K min and $550K max) → **$550K max on $1.3B**
- **Ongoing surveillance fee: $20K**
- Travel and misc. (no estimate given)
- Their counsel's fee, if any (no estimate given)

- I went back to them with a question on their references to the following. Their response was: "The language regarding credit estimates is standard in our boilerplate letter in case there are loans/securities that we need to review. This is not the case here, but we like to keep our letters consistent." I think we should push to have this removed as we go forward. I personally find it confusing and something that could be misinterpreted.:
    - Credit estimate fee: An additional fee will be assessed for any credit estimate assigned for collateral securing the transaction
    - Credit Estimate Surveillance Fee. A credit estimate surveillance fee covering surveillance will be charged, if applicable, for so long as we maintain the credit estimate. In the event the proposed transaction changes, Standard & Poor's reserves the right to adjust the Credit Estimate Surveillance Fee.

Relevant emails are attached. Happy to discuss.

Thank you,
Erica

To: Glenn, Erica N
Subject: RE: Request for fee quote on securitization

Erica,
Apologies for the delay. I was out unexpectedly yesterday. Our current typical fee level for a stranded utility cost deal would be 5bps on the principal, with a minimum fee of $180,000.
Surveillance would be $20,000 per annum.

Please let me know if you need anything else.

Regards,

Patrick J. Griffin
AVP - Account Management
US/Americas Commercial Group
212.553.3852 tel
212.298.6052 fax
Patrick.Griffin@moodys.com

Moody's Investors Service
7 World Trade Center
250 Greenwich Street
New York, NY 10007
http://www.moodys.com

From: Glenn, Erica N [mailto:Erica.Glenn@duke-energy.com]
Sent: Tuesday, July 14, 2015 4:11 PM
To: Griffin, Patrick
Subject: RE: Request for fee quote on securitization

Just the fee quote. Thank you

From: Griffin, Patrick [mailto:Patrick.Griffin@moodys.com]
Sent: Tuesday, July 14, 2015 3:35 PM
To: Glenn, Erica N
Cc: Lawes, Coady
Subject: RE: Request for fee quote on securitization

Thanks. At this stage, are you interested solely in a fee quote, or full-fledged engagement documentation?

Patrick J. Griffin
AVP - Account Management
US/Americas Commercial Group
212.553.3852 tel
212.298.6052 fax

Rating Agency Fees - Line 4

	S&P	Moody's			Fitch		Total
Up-front Bond Issuance Costs							
Lower end of range	500,000		328,500			300,000	1,128,500
Upper end of range:							
Fee Based on Issuance Amount							
165,940,000		0.050%	82,970	0.035%	58,079	150,000	
209,370,000		0.050%	104,685	0.035%	73,280	150,000	
488,570,000		0.050%	244,285	0.035%	171,000	171,000	
447,920,000		0.050%	223,960	0.035%	156,772	156,772	
1,311,800,000			655,900		459,130	627,772	
Fee for analytical work			-		-	150,000	
Total fee	550,000		655,900		459,130	777,772	1,983,672
Ongoing Financing Costs							
Low end of range	20,000		20,000			10,000	50,000
Upper end of range	20,000		20,000			10,000	50,000

Commission Advisor Fee - Line 5 SABER PARTNERS, LLC

bankers for other services performed for them like participation in credit lines or M&A work that should be compensated by shareholders, not ratepayers.

Consideration should be given to including express authorization in the financing order, as has been the precedent in West Virginia, Texas, New Jersey, Wisconsin, Florida and California, that **the Commission Staff (with its financial advisor)** can be involved, directly and in advance as "joint decision makers," in all aspects of the structuring, marketing, and pricing of the Nuclear Asset-Recovery Bonds. This will allow Staff to approve actual costs rather than estimated costs. Through careful execution and a possibly a stronger certification process (with minimal qualifiers,) the Commission can **establish a process to** ensure that ratepayers will receive full value for this security and the associated release of future regulatory oversight.

This last point should not be lost on the Commission either in evaluating this RFP or in reviewing utility petitions. These irrevocable orders are an extraordinary sacrifice of regulatory review. With that authority given up, then **ratepayers should expect full economic value in return.** Without continued oversight by the Commission **after the issuance of the financing order,** there is no incentive for the underwriters or the sponsoring utility to seek either the lowest interest rates available or the lowest transaction costs.

As noted above in E-1 (M), he Saber Team would discuss these matters with Staff so Staff can decide whether to recommend a strong, accountable certification process related to the Nuclear Asset Recovery Bond transactions.

F. References

Public Service Commission of West Virginia, Florida Public Service Commission, Public Utility Commission of Texas, Public Service Commission of Wisconsin, Vermont Public Service Board's Agent VEPP, Inc., and New York State Public Service Commission Chairman.

G. Compensation

Saber proposes a fixed fee of $500,000 for the initial petition. **At the option of Commission i.e., not required,** provide performance based incentive compensation if Saber can demonstrate tangible and quantifiable savings to the Commission's satisfaction. Performance based compensation has been used in other regulatory jurisdictions concerning investor-owned securitizations. We propose that Saber be paid 10% of the first $2 million of identified savings and 20% of the next $2 million of ratepayer savings not to exceed a total of $700,000 in performance compensation. This potential total compensation is comparable to other fees received by Saber which we can share with Staff upon request and specifics are subject to competitive review and negotiation.

H. Conflicts of Interest

1. Identify any Florida investor-owned electric utility, its parent, or any affiliate ...

None.

2. Identify any potential or existing conflicts, the party with whom the conflict exists...

No such potential or existing conflict exists. In the event such a conflict were to arise, Saber Partners would step aside or resign from the engagement or representation creating the conflict.

3. Identify any arrangement with any individual or entity with respect to ...

As of the date of this response, Saber Partners has no arrangement with any outside individual or entity with respect to the sharing of any compensation, fees, or profits received from or in relation to acting as the financial advisor to the Commission or whose compensation is based in whole or in part on compensation for acting as financial advisor for the Commission. Saber Partners utilizes the services of outside counsel and other experts as needed from time to time in connection with the provision of financial advisory services to various state regulatory commissions. These attorneys and outside experts typically bill Saber Partners at an hourly rate of between $300 and $1000/hour. Any such costs incurred would be absorbed by Saber Partners without surcharge to the FPSC. However, no engagement letter, contract, or other agreement has been entered relating to the potential retention of Saber Partners by the Commission.

4. Identify any person or firm retained by the respondent for the purpose of ...

No individual or firm has been retained by Saber Partners for the purpose of assisting it to be selected as financial advisor pursuant to this RFP. Saber Partners is not obligated to pay any firm or individual who is not a full time employee of Saber Partners if it serves as financial advisor to the Commission.

Heath, Tom

From: Hicks, Brad (US - Charlotte) <brhicks@deloitte.com>
Sent: Wednesday, August 26, 2015 5:06 PM
To: Heath, Tom
Subject: CR3 Securitization Accounting Fees

Good afternoon Tom,

Hope all is well. As a follow-up to your request concerning potential CR3 securitization accounting fees, please find the information below. Note: These estimates are very preliminary in nature, and actual fees would be refined based on a comprehensive understanding of the associated requirements.

- The initial securitization procedures are projected to be in the range of $150,000 to $200,000.
- The continuing fees, assuming an agreed-upon procedures level of work, would be projected to be in the range of $35,000 to $50,000 .
- The continuing fees, assuming a full audit for the securitization entity, would be projected to be approximately $100,000, but actual could vary significantly based on entity specific details and requirements.

Happy to discuss any follow-up question you may have.

Regards,
Brad

Brad Hicks
Partner
Deloitte & Touche LLP
550 South Tryon Street | Suite 2500 | Charlotte, NC 28202
Office: +1 704 887 1766 | Mobile: +1 919 274 7237
brhicks@deloitte.com | www.deloitte.com

Sec Filing Fee – Line 8

Filing Fee Rate

The current fee rate for 10/1/2014 to 9/30/2015 is:

$116.20 per $1,000,000

The fee is calculated by multiplying the aggregate offering amount by **.0001162**

Filing fees are required for filings made pursuant to:

- Sections 6(b) of the Securities Act of 1933
- Sections 13(e) and 14(g) of the Securities Exchange Act of 1934

For more information, see the fee rate advisory notice.

Effective October 1, 2014

Related Materials

- Fee Rate Advisory #1 for Fiscal Year 2015

Modified: April 14, 2015

1,311,800,000
/ 1,000,000
1311.80
× 116.20
152,431

SPE Setup - Line 9

Heath, Tom

From: Kaiser, Cynthia <Kaiser@RLF.com>
Sent: Wednesday, July 22, 2015 5:22 PM
To: Lucas, Bob
Cc: Fitzpatrick, Michael F. (MFitzpatrick@hunton.com)
Subject: RE: Buckler Draft Testimony

Bob:

I estimate that our fees will be in the range of $20,000 to $25,000, plus disbursements.

(Delaware SPE Setup

Kind regards,

Cindy

Cynthia D. Kaiser
Richards, Layton & Finger
One Rodney Square
P. O. Box 551
Wilmington, DE 19899
(302) 651-7736 (direct dial)
(302) 651-7701 (facsimile)
kaiser@rlf.com (e-mail)

Trustee Fees and Expenses - Line 12

Heath, Tom

From:	Lucas, Bob
Sent:	Wednesday, July 22, 2015 5:26 PM
To:	Heath, Tom
Subject:	legal fee estimates
Attachments:	RE: Buckler Draft Testimony; RE: Buckler Draft Testimony; FW: Buckler Draft Testimony

Tom, I only lack an estimate from Florida regulatory counsel in addition to those copied here. That's in the works but won't be big, I'd say around $50K but we should let them get back to us. Another counsel would be bond trustee's counsel which we haven't hired yet, so I would add another $20,000 for that as a conservative estimate. Let me know if you want to discuss. Thanks.

Set up

Trust counsel

Trustee counsel $20,000
Depository Agent 5,000 (next page)
$ 25,000

Heath, Tom

From: Puckett, Jesse W <Jesse.Puckett@bnymellon.com>
Sent: Friday, July 24, 2015 12:23 PM
To: Heath, Tom
Cc: Miller, Sharon; Leppert, Christie
Subject: Duke Energy Florida pricing

Trustee services
Received after testimony + does were substantially complete

*** Exercise caution. This is an EXTERNAL email. DO NOT open attachments or click links from unknown senders or unexpected email. ***

Hello Tom,

I've consulted with a few colleagues at the Bank and came up with the pricing below. We act as Trustee and Depositary Agent for several energy companies on issuances that I believe to be similar.

Please let me know if you have any questions at all.

Trustee
Acceptance Fee = included in Depositary Agent Acceptance Fee
* Annual fee = $5,400 per Series

Depositary Agent
Acceptance Fee = $5,000
* Annual Fee = $7,500

* Ongoing fees - line 8

Duties include:

- Initial setup of issuance
- Monitoring the covenants under the Trust Deed
- Retain and deliver Issuer information as required under the Trust Deed
- Maintenance and administration of account(s)
- Manage transaction flows
- Provide online access to the accounts to the relevant transaction parties

Regards,

Jesse W. Puckett
Vice President, Sales & Relationship Management
BNY Mellon, Corporate Trust
200 Ashford Center North, Suite 550, Atlanta, GA 30338
T: 770.698.5103 | M: 678.245.0006
jesse.puckett@bnymellon.com | www.bnymellon.com

From: Miller, Sharon [mailto:Sharon.Miller2@duke-energy.com]
Sent: Wednesday, July 22, 2015 1:28 PM
To: Puckett, Jesse W
Subject: Tom Heath contact information

Duke Energy Florida
Estimation of Fees incurred related to Servicing SPE
Servicing Fee Annual Estimate

Estimate of Servicing Fee, as of June 2015, based on other utility securitization filings	$ 655,900
Accounting/Reporting in Servicing of Revenue stream	
- Compensation of 2 1/2 Full Time Employees *	$ 225,000
- Benefits Burden rate	50,963
- Payroll taxes	17,213
- Corporate Overhead - office space, IT support, HR support, etc.	51,804
Printing costs - bill inserts	120,000
Incremental DEF Audit Fees - External auditor	60,000
Estimate of increased Call Center volume	65,000
Banking fees	5,000
Wire transfer fees	4,800
Estimate, as of August 31, 201S of Ongoing Annual Servicing Fees	$ 599,779

* Based on 1 Senior Analyst and 1 1/2 Analyst II. The remaining time of the Analyst II will be utilized for the Administration function in accounting for the SPE. Salaries are based on the mid-point of the respective bands. Note that salaries will increase over the approximate 20-year recovery period, but this estimate is based on current salary requirements.

Duke Energy Florida
Estimation of Fees incurred related to the Administration of SPE
Administration Fee Annual estimate

Estimate of Adminstration Fee, as of June 2015, based on other utility securitization filings	$ 50,000
Maintaining general ledger and accounting records of SPE	
- Compensation of 1/2 Full Time Employee *	$ 40,500
- Benefit Burden rate (2016 estimate 22.65%)	9,173
- Payroll taxes 7.65%	3,098
- Corporate Overhead - office space, IT support, HR support, etc.	9,350
Estimate, as of August 31, 2015 of Ongoing Annual Administration Fees	$ 62,121

* Based on 1/2 time of an Analyst II. The remaining 1/2 of the Analyst II will be utilized as part of the Servicing Fee. Salaries are based on the mid-point of the salary band for an Analyst II. Note that salaries will increase over the approximate 20-year recovery period, but this estimate is based on current salary requirements.

[redacted]

Duke Energy

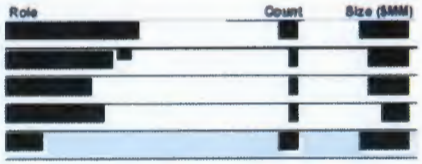
1 CAPABILITIES & EXPERIENCE

Deep Experience in All Aspects of Utility Securitization

[redacted]

- Morgan Stanley has been active in all aspects of utility securitization from the start of the market in 1997
  - Structuring Lead Bookrunner
  - Structuring Advisor
  - Bookrunner
  - Ring-Fencing

Morgan Staley Experience



Morgan Stanley

MO Exhibits.pdf - Adobe Acrobat Pro

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3 / 3

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Search DVD RW Drive (D:) 151008_1553

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- Division Presentations
- Division Documents
- Google Drive

Libraries
- Documents
- Music
- Pictures
- Videos

Computer
- B3743 (C:)
- DVD RW Drive (D:) 151008_1553
- rnettles (\\fp2\home$) (G:)
- WP (\\FP1\DATA\PSC\CLK) (I:)
- filings (\\fp3) (L:)
- HG (\\FP1\DATA\PSC\CLK) (N:)
- DB (\\FP1\DATA\PSC\CLK) (Q:)
- 123 (\\FP1\DATA\PSC\CLK) (R:)
- DATA (\\FP1) (S:)
- transfer (\\fp1\data\Public) (T:)
- FP26DOS (\\fp1\Data\Apps) (X:)
- Bat (\\fp1\data\Public) (Y:)
- Public (\\fp1\Data) (Z:)

Network

Name	Date modified	Type	Size
Files Currently on the Disc (7)			
Exhibit 26-32	10/8/2015 9:50 AM	File folder	
Exhibit 75	10/8/2015 9:47 AM	File folder	
Exhibit 76	10/8/2015 9:48 AM	File folder	
Exhibit 77	10/8/2015 9:48 AM	File folder	
Exhibit 79	10/8/2015 8:49 AM	File folder	
Exhibit 80	10/8/2015 8:49 AM	File folder	
150148-150171 Staff Hearing Exhibits 75-...	10/8/2015 3:05 PM	PDF File	16,529 KB

Exhibit 75 Date modified: 10/8/2015 9:47 AM
File folder

Rotate
Delete
Extract
Replace
Crop
Split Document

Insert from File
More Insert Options

Header & Footer
Background
Watermark
Bates Numbering

Add Bookmark
Attach a File

Edit Document Text
Edit Object
Add or Edit Text Box

Link
Button
Multimedia
Select Object

1:09 PM
10/14/2015

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Computer ▸ DVD RW Drive (D:) 151008_1553 ▸ Exhibit 75 ▸

Search Exhibit 75

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Favorites
- Desktop
- Downloads
- Recent Places
- Word Favorites
- Division Spreadsheets
- Division Presentations
- Division Documents
- Google Drive

Libraries
- Documents
- Music
- Pictures
- Videos

Computer
- B3743 (C:)
- DVD RW Drive (D:) 151008_1553
  - Exhibit 26-32
  - Exhibit 75
  - Exhibit 76
  - Exhibit 77
  - Exhibit 79
  - Exhibit 80
- rnettles (\\fp2\home$) (G:)
- WP (\\FP1\DATA\PSC\CLK) (I:)
- filings (\\fp3) (L:)
- HG (\\FP1\DATA\PSC\CLK) (N:)
- DB (\\FP1\DATA\PSC\CLK) (Q:)
- 123 (\\FP1\DATA\PSC\CLK) (R:)
- DATA (\\FP1) (S:)
- transfer (\\fp1\data\Public) (T:)
- FP26DOS (\\fp1\Data\Apps) (X:)
- Bat (\\fp1\data\Public) (Y:)
- Public (\\fp1\Data) (Z:)

Network

Name	Date modified	Type	Size
Files Currently on the Disc (4)			
Q 8	10/8/2015 9:47 AM	File folder	
Q 18	10/8/2015 9:47 AM	File folder	
Q 19	10/8/2015 9:47 AM	File folder	
Q 34	10/8/2015 9:47 AM	File folder	

4 items

Rotate
Delete
Extract
Replace
Crop
Split Document

Insert from File
More Insert Options

Page Design
Header & Footer
Background
Watermark
Bates Numbering

Add Bookmark
Attach a File

Text & Objects
Edit Document Text
Edit Object
Add or Edit Text Box

Edit Interactive Object
Link
Button
Multimedia
Select Object

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10/14/2015

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Desktop
Downloads
Recent Places
Word Favorites
Division Spreadsheets
Division Presentations
Division Documents
Google Drive

Libraries
Documents
Music
Pictures
Videos

Computer
B3743 (C:)
DVD RW Drive (D:) 151008_1553
rnettles (\\fp2\home$) (G:)
WP (\\FP1\DATA\PSC\CLK) (I:)
filings (\\fp3) (L:)
HG (\\FP1\DATA\PSC\CLK) (N:)
DB (\\FP1\DATA\PSC\CLK) (Q:)
123 (\\FP1\DATA\PSC\CLK) (R:)
DATA (\\FP1) (S:)
transfer (\\fp1\data\Public) (T:)
FP26DOS (\\fp1\Data\Apps) (X:)
Bat (\\fp1\data\Public) (Y:)
Public (\\fp1\Data) (Z:)

Network

Name	Date modified	Type	Size
Files Currently on the Disc (15)			
Appalachian Power (IAL and petition) an...	8/31/2015 3:56 PM	PDF File	764 KB
Buckler Exhibit BB-1.pdf	8/31/2015 3:56 PM	PDF File	493 KB
Discussion of Estimated Up-front Bond Is...	8/31/2015 3:56 PM	PDF File	561 KB
Line 1 - Underwriting Fees and Expenses_...	8/31/2015 3:56 PM	PDF File	739 KB
Line 2 - Servicer Set-up Fees (including In...	8/31/2015 3:56 PM	PDF File	559 KB
Line 3 - Legal Fees(2).pdf	8/31/2015 3:56 PM	PDF File	460 KB
Line 3 - Legal Fees.pdf	8/31/2015 3:56 PM	PDF File	655 KB
Line 4 - Rating Agency Fees(2).pdf	8/31/2015 3:56 PM	PDF File	468 KB
Line 4 - Rating Agency Fees.pdf	8/31/2015 3:56 PM	PDF File	659 KB
Line 5 - Commission Financial Advisor Fe...	8/31/2015 3:56 PM	PDF File	620 KB
Line 6 - DEF Structuring Advisor Fee_Red...	8/31/2015 3:56 PM	PDF File	753 KB
Line 7 - Auditor Fees.pdf	8/31/2015 3:56 PM	PDF File	500 KB
Line 8 - SEC Filing Fee.pdf	8/31/2015 3:56 PM	PDF File	488 KB
Line 9 SPE Set-up Fee.pdf	8/31/2015 3:56 PM	PDF File	510 KB
Line 12 - Trustee-Trustee Counsel Fees a...	8/31/2015 3:56 PM	PDF File	565 KB

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DEF's Response to Staff's Second Request for Production of Documents (Nos. 4-11)

Note: See also files contained on Staff Exhibit CD for No. 11

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET: 150148-EI EXHIBIT: 76
PARTY: STAFF – (DIRECT)
DESCRIPTION: DEF's Response to Staff's Second Request for Production of Documents

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval to include in base rates the revenue requirement for the CR3 regulatory asset, by Duke Energy Florida, Inc.	DOCKET NO. 150148-EI
In re: Petition for issuance of nuclear asset-recovery financing order, by Duke Energy Florida, Inc. d/b/a Duke Energy.	DOCKET NO. 150171-EI DATED: August 31, 2015

DUKE ENERGY FLORIDA, LLC'S RESPONSE TO STAFF'S SECOND REQUEST FOR PRODUCTION OF DOCUMENTS (NOS. 4-11)

Duke Energy Florida, LLC ("DEF") responds to Staff's Second Request for Production of Documents (Nos. 4-11) as follows:

DOCUMENTS REQUESTED

4. Please refer to Witness Buckler's direct testimony (Buckler Direct), page 17, lines 1-4. Please provide copies of all documents reviewed by DEF as identified on these lines.

Response: Copies of relevant documents are included in response to Interrogatory No. 8. The document titled "Discussion of Estimated Upfront Bond Issuance Costs and Ongoing Financing Costs" discusses the basis for estimating each line item included in Exhibit No. __ (BB-1). The remaining documents include support for the various estimated costs.

5. Please refer to Buckler Direct, page 18, lines 17-18. Please provide copies of all documents relied on by Witness Buckler to reach the conclusion that "[t]his estimated range amount is consistent with those paid under recent, similar transactions."

Response: Copies of relevant documents are included in my response to Interrogatory No. 8. Specifically the documents from Morgan Stanley and Goldman Sachs in their proposals for structuring advisory services to the Company were the basis for this conclusion.

6. Please refer to Buckler Direct, page 20, lines 6-9. Please provide copies of all documents relied on by Witness Buckler to reach the conclusion stated on these lines.

Response: Copies of relevant documents are included in response to Interrogatory No. 8. Specifically the documents from Morgan Stanley and Goldman Sachs in their proposals for structuring advisory services to the Company were the basis for this conclusion.

7. For each of the utility securitization transactions cited on page 2, line 14 through page 3, line 23 of Witness Collins's direct testimony (Collins Direct), please provide copies of the issuance advice letters for each transaction.

Response: The issuance advice letters are publicly filed with each relevant state regulator. For your convenience, a link to each has been provided below.

Entergy New Orleans Storm Recovery Funding I, L.L.C.
http://cityofno.granicus.com/MetaViewer.php?view_id=&clip_id=2106&meta_id=292934

SYSTEM RESTORATION BONDS
(LOUISIANA UTILITIES RESTORATION CORPORATION PROJECT/EGSL)
http://lpscstar.louisiana.gov/star/portal/lpsc/PSC/PSCDocumentDetailsPage.aspx?DocumentId=baff8c98-d1a5-453c-86fa-3db47e0f49d4&Class=Filing

SYSTEM RESTORATION BONDS
(LOUISIANA UTILITIES RESTORATION CORPORATION PROJECT/ELL)

http://lpscstar.louisiana.gov/star/portal/lpsc/PSC/PSCDocumentDetailsPage.aspx?DocumentId=e0589233-c870-4c7c-a736-33a5a39ed9b2&Class=Filing

Utility Debt Securitization Authority (LIPA)
http://www.lipower.org/UDSA/docs/restructingbonds121303.pdf

Appalachian Consumer Rate Relief Funding
http://www.psc.state.wv.us/scripts/WebDocket/ViewDocument.cfm?CaseActivityID=382894&NotType='WebDocket'

AEP Texas Central Transition Funding III
http://interchange.puc.state.tx.us/WebApp/Interchange/Documents/39931_16_720392.PDF

Entergy Louisiana Investment Recovery I, L.L.C.
http://lpscstar.louisiana.gov/star/portal/lpsc/PSC/PSCDocumentDetailsPage.aspx?DocumentId=55d81b17-38b8-4c46-a098-10798c51e82d&Class=Filing

Entergy Arkansas Restoration Funding, LLC
http://www.apscservices.info/pdf/10/10-008-u_62_1.pdf

8. Please refer to Collins Direct, page 39, lines 19-20. Please provide copies of all legal opinions that support the conclusion that "DEF will have primary securities law liability with respect to the nuclear asset-recovery bonds…"

Response: DEF does not have any responsive documents to this request. Please see DEF's response to Interrogatory Number 22.

9. Please provide copies of any legal opinions that specify the proposed nuclear asset-recovery bonds are asset-backed securities.

Response: DEF does not have any responsive documents to this request. Please see DEF's response to Interrogatory Numbers 13, 25 and 28.

10. Please provide copies of any legal opinions that specify the proposed nuclear asset-recovery bonds must be considered asset-backed securities.

Response: DEF does not have any responsive documents to this request. Please see DEF's response to Interrogatory Numbers 13, 25 and 28.

11. Please provide the financial models, with all assumptions and formulas intact, in Excel format that were used as the basis for DEF's presentations to the Florida Legislature during the 2015 session to support HB 7109.

Response: See the attached document bearing Bates numbers 150148-STAFFPOD2-11-000001 through 150148-STAFFPOD2-11-000004.

/s/ Dianne M. Triplett

MATTHEW R. BERNIER
Senior Counsel
Duke Energy Florida, LLC
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Tallahassee, Florida 32301
Telephone: (850) 521-1428
Facsimile: (727) 820-5041
Attorney for Duke Energy Florida, LLC

DIANNE M. TRIPLETT
Associate General Counsel
Duke Energy Florida, LLC
299 First Avenue North
St. Petersburg, Florida 33701
Telephone: (727) 820-4692
Facsimile: (727) 820-5041
Attorney for Duke Energy Florida, LLC

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished via electronic mail to the following this 31st day of August, 2015.

/s/ Dianne M. Triplett

Attorney

Keino Young Kelley Corbari Leslie Ames Theresa Tan Office of the General Counsel Florida Public Service Commission 2540 Shumard Oak Blvd. Tallahassee, FL 32399-0850 kyoung@psc.state.fl.us kcorbari@psc.state.fl.us lames@psc.state.fl.us ltan@psc.state.fl.us	Charles Rehwinkel J. R. Kelly Office of Public Counsel c/o The Florida Legislature 111 West Madison Street, Room 812 Tallahassee, Florida 32399-1400 kelly.jr@leg.state.fl.us rehwinkel.charles@leg.state.fl.us woods.monica@leg.state.fl.us
Florida Industrial Power Users Group c/o Moyle Law Firm, P.A. Jon C. Moyle, Jr. Karen A. Putnal 118 North Gadsden Street Tallahassee, Florida 32301 jmoyle@moylelaw.com kputnal@moylelaw.com	PSC Phosphate – White Springs c/o James W. Brew Owen J. Kopon Stone Mattheis Xenopoulos & Brew, PC 1025 Thomas Jefferson Street, NW Eighth Floor, West Tower Washington, DC 20007-5201 jbrew@smxblaw.com ojk@smxblaw.com
Joseph Fichera Saber Partners, LLC 44 Wall Street New York, NY 10005 jfichera@saberpartners.com	Dean E. Criddle Orrick, Herrington & Sutcliffe 405 Howard Street, #11 San Francisco, CA 94105 dcriddle@orrick.com

ILLUSTRATIVE
CR 3 REGULATORY ASSET SECURITIZATION SCENARIOS ($ millions):

		2013 Settlement (20 yr)	Securitization (20 yr) Current Interest Rates	Securitization (20 yr) 1% Interest Rate Sensitivity
			Pre-Tax	Pre-Tax
	Projected CR3 Regulatory Asset	**1,350**	**1,350**	**1,350**
	Recovery			
	Principal	1,350	1,350	1,350
	Equity Return (Pretax)	884		
(A)	Interest on Financing	426	449	614
	Securitization Servicing Fees		60	60
(B)	**Total Amount Recovered From Customer**	**2,660**	**1,859**	**2,024**
	Customer Savings compared to 2013 Settlement		**(802)**	**(636)**
	Customer Savings compared to 2013 Settlement (NPV)		**(608)**	**(504)**
	Revenue - Yr 1	177	93	101
	Residential Rate - Yr 1	**5.33**	**2.91**	**3.16**
	Customer Savings compared to 2013 Settlement		**(2.42)**	**(2.17)**

(A) 20 Year securitization assumes current interest rates averaging 2.625% on 4 tranches with varying maturities.
20 Year securitization with 1% sensitivity assumes interest rates averaging 3.625% on 4 tranches with varying maturities.

(B) Assumes recovery per the terms of the 2013 revised and restated settlement agreement.

DEF - CR3 Regulatory Asset Settlement vs. Securitization ($ millions)

	NPV 5%	Total	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Settlement Treatment with rate adjustment every 4 years based on declining rate base and straightline amortization:																						
Beginning Bal			1,350	1,283	1,215	1,148	1,080	1,013	945	878	810	743	675	608	540	473	405	338	270	203	135	68
Amort		1,350	68	68	68	68	68	68	68	68	68	68	68	68	68	68	68	68	68	68	68	68
Ending Bal			1,283	1,215	1,148	1,080	1,013	945	878	810	743	675	608	540	473	405	338	270	203	135	68	-
Average Bal			1,316	1,249	1,181	1,114	1,046	979	911	844	776	709	641	574	506	439	371	304	236	169	101	34
WACC			8.12%				8.12%				8.12%				8.12%				8.12%			
Return on RB	925	1,310	110	111	113	116	85	86	88	90	63	64	66	67	41	42	43	44	19	20	21	22
Amort	841	1,350	68	68	68	68	68	68	68	68	68	68	68	68	68	68	68	68	68	68	68	68
Revenue	1,766	2,660	177	178	180	183	152	154	156	157	131	132	133	134	109	110	111	112	87	88	88	89
MWH Sales			38.18	38.42	38.81	39.45	39.85	40.25	40.65	41.06	41.47	41.88	42.30	42.72	43.15	43.58	44.02	44.46	44.90	45.35	45.81	46.26
Resid Rate (approx)			5.33	5.33	5.33	5.33	4.40	4.40	4.40	4.40	3.62	3.62	3.62	3.62	2.89	2.89	2.89	2.89	2.22	2.22	2.22	2.22
Equity Return (5.48%)	624	884	74	75	76	78	57	58	59	60	43	43	44	45	28	28	29	30	13	14	14	15
Debt Return (2.64%)	301	426	36	36	37	38	28	28	29	29	20	21	21	22	13	14	14	14	6	7	7	7
Total Return (8.12%)	925	1,310	110	111	113	116	85	86	88	90	63	64	66	67	41	42	43	44	19	20	21	22
Securitization:																						
Principle	807	1,350	54	55	56	57	58	58	60	61	63	64	66	68	71	73	75	77	79	82	85	88
Interest	314	449	36	35	34	33	32	31	30	29	27	25	24	21	19	17	15	13	11	8	5	2
Total P&I	1,121	1,799	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90
Add Servicing Chrg	37	60	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3
Total Revenue	1,158	1,859	93	93	93	93	93	93	93	93	93	93	93	93	93	93	93	93	93	93	93	93
Resid Rate Impact (approx)			2.91	2.89	2.86	2.81	2.78	2.76	2.73	2.70	2.68	2.65	2.62	2.60	2.57	2.55	2.52	2.50	2.47	2.45	2.42	2.40
Difference (Settlement vs. Securitization):																						
Revenue-Settlement	1,766	2,660	177	178	180	183	152	154	156	157	131	132	133	134	109	110	111	112	87	88	88	89
Revenue-Securitization	1,158	1,859	93	93	93	93	93	93	93	93	93	93	93	93	93	93	93	93	93	93	93	93
Difference	608	802	84	85	87	90	60	61	63	64	38	39	40	42	16	17	18	19	(6)	(5)	(5)	(4)
Resid Rate-Settlement			5.33	5.33	5.33	5.33	4.40	4.40	4.40	4.40	3.62	3.62	3.62	3.62	2.89	2.89	2.89	2.89	2.22	2.22	2.22	2.22
Resid Rate-Securitization			2.91	2.89	2.86	2.81	2.78	2.76	2.73	2.70	2.68	2.65	2.62	2.60	2.57	2.55	2.52	2.50	2.47	2.45	2.42	2.40
Difference			2.42	2.44	2.47	2.52	1.62	1.64	1.67	1.70	0.94	0.97	1.00	1.02	0.32	0.34	0.37	0.39	(0.25)	(0.23)	(0.20)	(0.18)
Securitization (1% Interest Rate Sensitivity):																						
Principle	795	1,350	49	50	52	53	54	56	57	59	61	63	66	69	71	74	77	80	84	87	91	95
Interest	429	614	49	48	47	45	44	43	41	39	37	35	32	30	27	24	21	18	15	11	7	3
Total P&I	1,224	1,964	98	98	98	98	98	98	98	98	98	98	98	98	98	98	98	98	98	98	98	98
Add Servicing Chrg	37	60	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3
Total Revenue	1,261	2,024	101	101	101	101	101	101	101	101	101	101	101	101	101	101	101	101	101	101	101	101
Resid Rate Impact (approx)			3.16	3.14	3.10	3.05	3.02	2.99	2.96	2.93	2.91	2.88	2.85	2.82	2.79	2.76	2.74	2.71	2.68	2.66	2.63	2.60
Difference (Settlement vs. Securitization with 1% Interest Rate Sensitivity):																						
Revenue-Settlement	1,766	2,660	177	178	180	183	152	154	156	157	131	132	133	134	109	110	111	112	87	88	88	89
Revenue-Securitization	1,261	2,024	101	101	101	101	101	101	101	101	101	101	101	101	101	101	101	101	101	101	101	101
Difference	504	636	76	77	79	82	51	53	54	56	29	31	32	33	7	8	10	11	(15)	(14)	(13)	(12)
Resid Rate-Settlement			5.33	5.33	5.33	5.33	4.40	4.40	4.40	4.40	3.62	3.62	3.62	3.62	2.89	2.89	2.89	2.89	2.22	2.22	2.22	2.22
Resid Rate-Securitization			3.16	3.14	3.10	3.05	3.02	2.99	2.96	2.93	2.91	2.88	2.85	2.82	2.79	2.76	2.74	2.71	2.68	2.66	2.63	2.60
Difference			2.17	2.19	2.23	2.28	1.38	1.41	1.44	1.47	0.71	0.74	0.77	0.80	0.10	0.13	0.15	0.18	(0.46)	(0.44)	(0.41)	(0.38)

Regulatory Asset Recovery Period (Ye	20
Total Semi-Annual Collection Charge	$44,970,342.64
Tranche Sum (CHECK)	1,350,000,000.00

Instructions:
1) Input indicative coupons and the share of the total issuance for each tranche in row 9 and 10
2) Use Goal Seek tool to solve for semi-annual collection charge. Inputs for Goal Seek as follows: for "Set cell" input, choose the cell S11.
For "To value" input, enter the total issuance size (1,350,000,000). For "By changing cell" input, choose cell D2

Tranche	1	1	1	1	2	2	2	2	3	3	3	3	4	4	4	4				
	Beg Principal Bal.	Ending Principal Bal.	Principal Payments	Interest Payments	Beg Principal Bal.	Ending Principal Bal.	Principal Payments	Interest Payments	Beg Principal Bal.	Ending Principal Bal.	Principal Payments	Interest Payments	Beg Principal Bal.	Ending Principal Bal.	Principal Payments	Interest Payments	Remaining Principal Balance	Total Principal Payments	Total Interest Payments	Total Collections
WAL		2.99				7.02				12.98				18.76						
Coupon		1.479%				2.297%				2.995%				3.431%						
Amount		303,750,000				162,000,000				627,750,000				256,500,000			1,350,000,000	2,700,000,000	448,813,706	1,798,813,706
Year																				
0.0		303,750,000				162,000,000				627,750,000				256,500,000			1,350,000,000			
0.5	303,750,000	276,688,487	27,061,513	2,245,599	162,000,000	162,000,000	-	1,860,829	627,750,000	627,750,000	-	9,401,715	256,500,000	256,500,000	-	4,400,685	1,322,938,487	27,061,513	17,908,829	44,970,343
1.0	276,688,487	249,426,910	27,261,577	2,045,536	162,000,000	162,000,000	-	1,860,829	627,750,000	627,750,000	-	9,401,715	256,500,000	256,500,000	-	4,400,685	1,295,676,910	27,261,577	17,708,766	44,970,343
1.5	249,426,910	221,963,790	27,463,120	1,843,993	162,000,000	162,000,000	-	1,860,829	627,750,000	627,750,000	-	9,401,715	256,500,000	256,500,000	-	4,400,685	1,268,213,790	27,463,120	17,507,223	44,970,343
2.0	221,963,790	194,297,638	27,666,152	1,640,960	162,000,000	162,000,000	-	1,860,829	627,750,000	627,750,000	-	9,401,715	256,500,000	256,500,000	-	4,400,685	1,240,547,638	27,666,152	17,304,190	44,970,343
2.5	194,297,638	166,426,952	27,870,686	1,436,427	162,000,000	162,000,000	-	1,860,829	627,750,000	627,750,000	-	9,401,715	256,500,000	256,500,000	-	4,400,685	1,212,676,952	27,870,686	17,099,657	44,970,343
3.0	166,426,952	138,350,220	28,076,732	1,230,381	162,000,000	162,000,000	-	1,860,829	627,750,000	627,750,000	-	9,401,715	256,500,000	256,500,000	-	4,400,685	1,184,600,220	28,076,732	16,893,611	44,970,343
3.5	138,350,220	110,065,919	28,284,301	1,022,812	162,000,000	162,000,000	-	1,860,829	627,750,000	627,750,000	-	9,401,715	256,500,000	256,500,000	-	4,400,685	1,156,315,919	28,284,301	16,686,042	44,970,343
4.0	110,065,919	81,572,515	28,493,404	813,708	162,000,000	162,000,000	-	1,860,829	627,750,000	627,750,000	-	9,401,715	256,500,000	256,500,000	-	4,400,685	1,127,822,515	28,493,404	16,476,938	44,970,343
4.5	81,572,515	52,868,462	28,704,054	603,059	162,000,000	162,000,000	-	1,860,829	627,750,000	627,750,000	-	9,401,715	256,500,000	256,500,000	-	4,400,685	1,099,118,462	28,704,054	16,266,289	44,970,343
5.0	52,868,462	23,952,201	28,916,260	390,852	162,000,000	162,000,000	-	1,860,829	627,750,000	627,750,000	-	9,401,715	256,500,000	256,500,000	-	4,400,685	1,070,202,201	28,916,260	16,054,082	44,970,343
5.5	23,952,201	-	23,952,201	177,077	162,000,000	156,822,165	5,177,835	1,860,829	627,750,000	627,750,000	-	9,401,715	256,500,000	256,500,000	-	4,400,685	1,041,072,165	29,130,036	15,840,307	44,970,343
6.0	-	-	-	-	156,822,165	127,455,577	29,366,588	1,801,353	627,750,000	627,750,000	-	9,401,715	256,500,000	256,500,000	-	4,400,685	1,011,705,577	29,366,588	15,803,754	44,970,343
6.5	-	-	-	-	127,455,577	97,751,666	29,703,911	1,464,031	627,750,000	627,750,000	-	9,401,715	256,500,000	256,500,000	-	4,400,685	982,001,666	29,703,911	15,266,432	44,970,343
7.0	-	-	-	-	97,751,666	67,706,559	30,045,108	1,122,834	627,750,000	627,750,000	-	9,401,715	256,500,000	256,500,000	-	4,400,685	951,956,559	30,045,108	14,925,235	44,970,343
7.5	-	-	-	-	67,706,559	37,316,335	30,390,224	777,718	627,750,000	627,750,000	-	9,401,715	256,500,000	256,500,000	-	4,400,685	921,566,335	30,390,224	14,580,119	44,970,343
8.0	-	-	-	-	37,316,335	6,577,031	30,739,304	428,638	627,750,000	627,750,000	-	9,401,715	256,500,000	256,500,000	-	4,400,685	890,827,031	30,739,304	14,231,039	44,970,343
8.5	-	-	-	-	6,577,031	-	6,577,031	75,548	627,750,000	603,234,637	24,515,363	9,401,715	256,500,000	256,500,000	-	4,400,685	859,734,637	31,092,394	13,877,949	44,970,343
9.0	-	-	-	-	-	-	-	-	603,234,637	571,699,533	31,535,105	9,034,553	256,500,000	256,500,000	-	4,400,685	828,199,533	31,535,105	13,435,238	44,970,343
9.5	-	-	-	-	-	-	-	-	571,699,533	539,692,131	32,007,401	8,562,256	256,500,000	256,500,000	-	4,400,685	796,192,131	32,007,401	12,962,942	44,970,343
10.0	-	-	-	-	-	-	-	-	539,692,131	507,205,360	32,486,771	8,082,886	256,500,000	256,500,000	-	4,400,685	763,705,360	32,486,771	12,483,572	44,970,343
10.5	-	-	-	-	-	-	-	-	507,205,360	474,232,040	32,973,320	7,596,337	256,500,000	256,500,000	-	4,400,685	730,732,040	32,973,320	11,997,022	44,970,343
11.0	-	-	-	-	-	-	-	-	474,232,040	440,764,883	33,467,157	7,102,501	256,500,000	256,500,000	-	4,400,685	697,264,883	33,467,157	11,503,186	44,970,343
11.5	-	-	-	-	-	-	-	-	440,764,883	406,796,494	33,968,389	6,601,268	256,500,000	256,500,000	-	4,400,685	663,296,494	33,968,389	11,001,953	44,970,343
12.0	-	-	-	-	-	-	-	-	406,796,494	372,319,365	34,477,129	6,092,529	256,500,000	256,500,000	-	4,400,685	628,819,365	34,477,129	10,493,214	44,970,343
12.5	-	-	-	-	-	-	-	-	372,319,365	337,325,878	34,993,487	5,576,170	256,500,000	256,500,000	-	4,400,685	593,825,878	34,993,487	9,976,855	44,970,343
13.0	-	-	-	-	-	-	-	-	337,325,878	301,808,299	35,517,579	5,052,078	256,500,000	256,500,000	-	4,400,685	558,308,299	35,517,579	9,452,763	44,970,343
13.5	-	-	-	-	-	-	-	-	301,808,299	265,758,778	36,049,521	4,520,137	256,500,000	256,500,000	-	4,400,685	522,258,778	36,049,521	8,920,822	44,970,343
14.0	-	-	-	-	-	-	-	-	265,758,778	229,169,349	36,589,429	3,980,228	256,500,000	256,500,000	-	4,400,685	485,669,349	36,589,429	8,380,914	44,970,343
14.5	-	-	-	-	-	-	-	-	229,169,349	192,031,926	37,137,423	3,432,234	256,500,000	256,500,000	-	4,400,685	448,531,926	37,137,423	7,832,920	44,970,343
15.0	-	-	-	-	-	-	-	-	192,031,926	154,338,302	37,693,625	2,876,033	256,500,000	256,500,000	-	4,400,685	410,838,302	37,693,625	7,276,718	44,970,343
15.5	-	-	-	-	-	-	-	-	154,338,302	116,080,145	38,258,156	2,311,501	256,500,000	256,500,000	-	4,400,685	372,580,145	38,258,156	6,712,186	44,970,343
16.0	-	-	-	-	-	-	-	-	116,080,145	77,249,003	38,831,143	1,738,515	256,500,000	256,500,000	-	4,400,685	333,749,003	38,831,143	6,139,200	44,970,343
16.5	-	-	-	-	-	-	-	-	77,249,003	37,836,292	39,412,711	1,156,946	256,500,000	256,500,000	-	4,400,685	294,336,292	39,412,711	5,557,632	44,970,343
17.0	-	-	-	-	-	-	-	-	37,836,292	-	37,836,292	566,668	256,500,000	254,333,303	2,166,697	4,400,685	254,333,303	40,002,989	4,967,354	44,970,343
17.5	-	-	-	-	-	-	-	-	-	-	-	-	254,333,303	213,726,472	40,606,831	4,363,512	213,726,472	40,606,831	4,363,512	44,970,343
18.0	-	-	-	-	-	-	-	-	-	-	-	-	213,726,472	172,422,964	41,303,509	3,666,834	172,422,964	41,303,509	3,666,834	44,970,343
18.5	-	-	-	-	-	-	-	-	-	-	-	-	172,422,964	130,410,825	42,012,139	2,958,204	130,410,825	42,012,139	2,958,204	44,970,343
19.0	-	-	-	-	-	-	-	-	-	-	-	-	130,410,825	87,677,897	42,732,927	2,237,415	87,677,897	42,732,927	2,237,415	44,970,343
19.5	-	-	-	-	-	-	-	-	-	-	-	-	87,677,897	44,211,815	43,466,082	1,504,261	44,211,815	43,466,082	1,504,261	44,970,343
20.0	-	-	-	-	-	-	-	-	-	-	-	-	44,211,815	-	44,211,815	758,527	-	44,211,815	758,527	44,970,343
			303,750,000	13,450,404			162,000,000	26,139,244			627,750,000	244,112,003			256,500,000	165,112,055		1,350,000,000	448,813,706	1,798,813,706

Regulatory Asset Recovery Period (Year	20
Total Semi-Annual Collection Charge	$49,106,406.73
Tranche Sum (CHECK)	1,350,000,000.00

Instructions:
1) Input indicative coupons and the share of the total issuance for each tranche in row 9 and 10
2) Use Goal Seek tool to solve for semi-annual collection charge. Inputs for Goal Seek as follows: for "Set cell" input, choose the cell S11.
For "To value" input, enter the total issuance size (1,350,000,000). For "By changing cell" input, choose cell D2

Tranche	1	1	1	1	2	2	2	2	3	3	3	3	4	4	4	4				
	Beg Principal Bal.	Ending Principal Bal.	Principal Payments	Interest Payments	Beg Principal Bal.	Ending Principal Bal.	Principal Payments	Interest Payments	Beg Principal Bal.	Ending Principal Bal.	Principal Payments	Interest Payments	Beg Principal Bal.	Ending Principal Bal.	Principal Payments	Interest Payments	Remaining Principal Balance	Total Principal Payments	Total Interest Payments	Total Collections
WAL		3.23				7.46				13.38				18.86						
Coupon		2.479%				3.297%				3.995%				4.431%						
Amount		303,750,000				162,000,000				627,750,000				256,500,000			1,350,000,000	2,700,000,000	614,256,269	1,964,256,269
Year																				
0.0		303,750,000				162,000,000				627,750,000				256,500,000			1,350,000,000			
0.5	303,750,000	279,302,422	24,447,578	3,764,349	162,000,000	162,000,000	-	2,670,829	627,750,000	627,750,000	-	12,540,465	256,500,000	256,500,000	-	5,683,185	1,325,552,422	24,447,578	24,658,829	49,106,407
1.0	279,302,422	254,551,868	24,750,554	3,461,372	162,000,000	162,000,000	-	2,670,829	627,750,000	627,750,000	-	12,540,465	256,500,000	256,500,000	-	5,683,185	1,300,801,868	24,750,554	24,355,852	49,106,407
1.5	254,551,868	229,494,582	25,057,286	3,154,641	162,000,000	162,000,000	-	2,670,829	627,750,000	627,750,000	-	12,540,465	256,500,000	256,500,000	-	5,683,185	1,275,744,582	25,057,286	24,049,121	49,106,407
2.0	229,494,582	204,126,763	25,367,819	2,844,108	162,000,000	162,000,000	-	2,670,829	627,750,000	627,750,000	-	12,540,465	256,500,000	256,500,000	-	5,683,185	1,250,376,763	25,367,819	23,738,588	49,106,407
2.5	204,126,763	178,444,563	25,682,200	2,529,726	162,000,000	162,000,000	-	2,670,829	627,750,000	627,750,000	-	12,540,465	256,500,000	256,500,000	-	5,683,185	1,224,694,563	25,682,200	23,424,206	49,106,407
3.0	178,444,563	152,444,085	26,000,478	2,211,449	162,000,000	162,000,000	-	2,670,829	627,750,000	627,750,000	-	12,540,465	256,500,000	256,500,000	-	5,683,185	1,198,694,085	26,000,478	23,105,929	49,106,407
3.5	152,444,085	126,121,386	26,322,699	1,889,227	162,000,000	162,000,000	-	2,670,829	627,750,000	627,750,000	-	12,540,465	256,500,000	256,500,000	-	5,683,185	1,172,371,386	26,322,699	22,783,707	49,106,407
4.0	126,121,386	99,472,471	26,648,915	1,563,012	162,000,000	162,000,000	-	2,670,829	627,750,000	627,750,000	-	12,540,465	256,500,000	256,500,000	-	5,683,185	1,145,722,471	26,648,915	22,457,492	49,106,407
4.5	99,472,471	72,493,299	26,979,172	1,232,754	162,000,000	162,000,000	-	2,670,829	627,750,000	627,750,000	-	12,540,465	256,500,000	256,500,000	-	5,683,185	1,118,743,299	26,979,172	22,127,234	49,106,407
5.0	72,493,299	45,179,776	27,313,523	898,404	162,000,000	162,000,000	-	2,670,829	627,750,000	627,750,000	-	12,540,465	256,500,000	256,500,000	-	5,683,185	1,091,429,776	27,313,523	21,792,884	49,106,407
5.5	45,179,776	17,527,758	27,652,017	559,909	162,000,000	162,000,000	-	2,670,829	627,750,000	627,750,000	-	12,540,465	256,500,000	256,500,000	-	5,683,185	1,063,777,758	27,652,017	21,454,389	49,106,407
6.0	17,527,758	-	17,527,758	217,220	162,000,000	151,533,052	10,466,948	2,670,829	627,750,000	627,750,000	-	12,540,465	256,500,000	256,500,000	-	5,683,185	1,035,783,052	27,994,707	21,111,700	49,106,407
6.5	-	-	-	-	151,533,052	123,148,561	28,384,491	2,498,265	627,750,000	627,750,000	-	12,540,465	256,500,000	256,500,000	-	5,683,185	1,007,398,561	28,384,491	20,721,916	49,106,407
7.0	-	-	-	-	123,148,561	94,296,106	28,852,455	2,030,301	627,750,000	627,750,000	-	12,540,465	256,500,000	256,500,000	-	5,683,185	978,546,106	28,852,455	20,253,952	49,106,407
7.5	-	-	-	-	94,296,106	64,967,972	29,328,134	1,554,622	627,750,000	627,750,000	-	12,540,465	256,500,000	256,500,000	-	5,683,185	949,217,972	29,328,134	19,778,273	49,106,407
8.0	-	-	-	-	64,967,972	35,156,317	29,811,655	1,071,101	627,750,000	627,750,000	-	12,540,465	256,500,000	256,500,000	-	5,683,185	919,406,317	29,811,655	19,294,752	49,106,407
8.5	-	-	-	-	35,156,317	4,853,169	30,303,148	579,608	627,750,000	627,750,000	-	12,540,465	256,500,000	256,500,000	-	5,683,185	889,103,169	30,303,148	18,803,259	49,106,407
9.0	-	-	-	-	4,853,169	-	4,853,169	80,012	627,750,000	601,800,426	25,949,574	12,540,465	256,500,000	256,500,000	-	5,683,185	858,300,426	30,802,744	18,303,663	49,106,407
9.5	-	-	-	-	-	-	-	-	601,800,426	570,399,279	31,401,147	12,022,075	256,500,000	256,500,000	-	5,683,185	826,899,279	31,401,147	17,705,260	49,106,407
10.0	-	-	-	-	-	-	-	-	570,399,279	538,370,837	32,028,442	11,394,779	256,500,000	256,500,000	-	5,683,185	794,870,837	32,028,442	17,077,964	49,106,407
10.5	-	-	-	-	-	-	-	-	538,370,837	505,702,567	32,668,270	10,754,952	256,500,000	256,500,000	-	5,683,185	762,202,567	32,668,270	16,438,137	49,106,407
11.0	-	-	-	-	-	-	-	-	505,702,567	472,381,688	33,320,879	10,102,343	256,500,000	256,500,000	-	5,683,185	728,881,688	33,320,879	15,785,528	49,106,407
11.5	-	-	-	-	-	-	-	-	472,381,688	438,395,163	33,986,525	9,436,697	256,500,000	256,500,000	-	5,683,185	694,895,163	33,986,525	15,119,882	49,106,407
12.0	-	-	-	-	-	-	-	-	438,395,163	403,729,695	34,665,468	8,757,753	256,500,000	256,500,000	-	5,683,185	660,229,695	34,665,468	14,440,938	49,106,407
12.5	-	-	-	-	-	-	-	-	403,729,695	368,371,720	35,357,975	8,065,246	256,500,000	256,500,000	-	5,683,185	624,871,720	35,357,975	13,748,432	49,106,407
13.0	-	-	-	-	-	-	-	-	368,371,720	332,307,404	36,064,316	7,358,905	256,500,000	256,500,000	-	5,683,185	588,807,404	36,064,316	13,042,091	49,106,407
13.5	-	-	-	-	-	-	-	-	332,307,404	295,522,636	36,784,767	6,638,454	256,500,000	256,500,000	-	5,683,185	552,022,636	36,784,767	12,321,639	49,106,407
14.0	-	-	-	-	-	-	-	-	295,522,636	258,003,025	37,519,611	5,903,610	256,500,000	256,500,000	-	5,683,185	514,503,025	37,519,611	11,588,796	49,106,407
14.5	-	-	-	-	-	-	-	-	258,003,025	219,733,891	38,269,135	5,154,087	256,500,000	256,500,000	-	5,683,185	476,233,891	38,269,135	10,837,272	49,106,407
15.0	-	-	-	-	-	-	-	-	219,733,891	180,700,260	39,033,631	4,389,590	256,500,000	256,500,000	-	5,683,185	437,200,260	39,033,631	10,072,776	49,106,407
15.5	-	-	-	-	-	-	-	-	180,700,260	140,886,860	39,813,400	3,609,821	256,500,000	256,500,000	-	5,683,185	397,386,860	39,813,400	9,293,007	49,106,407
16.0	-	-	-	-	-	-	-	-	140,886,860	100,278,114	40,608,746	2,814,475	256,500,000	256,500,000	-	5,683,185	356,778,114	40,608,746	8,497,861	49,106,407
16.5	-	-	-	-	-	-	-	-	100,278,114	58,858,133	41,419,981	2,003,240	256,500,000	256,500,000	-	5,683,185	315,358,133	41,419,981	7,686,426	49,106,407
17.0	-	-	-	-	-	-	-	-	58,858,133	16,610,711	42,247,421	1,175,800	256,500,000	256,500,000	-	5,683,185	273,110,711	42,247,421	6,858,985	49,106,407
17.5	-	-	-	-	-	-	-	-	16,610,711	-	16,610,711	331,830	256,500,000	230,019,319	26,480,681	5,683,185	230,019,319	43,091,392	6,015,015	49,106,407
18.0	-	-	-	-	-	-	-	-	-	-	-	-	230,019,319	186,009,374	44,009,945	5,096,462	186,009,374	44,009,945	5,096,462	49,106,407
18.5	-	-	-	-	-	-	-	-	-	-	-	-	186,009,374	141,024,316	44,985,059	4,121,348	141,024,316	44,985,059	4,121,348	49,106,407
19.0	-	-	-	-	-	-	-	-	-	-	-	-	141,024,316	95,042,538	45,981,778	3,124,629	95,042,538	45,981,778	3,124,629	49,106,407
19.5	-	-	-	-	-	-	-	-	-	-	-	-	95,042,538	48,041,957	47,000,581	2,105,826	48,041,957	47,000,581	2,105,826	49,106,407
20.0	-	-	-	-	-	-	-	-	-	-	-	-	48,041,957	-	48,041,957	1,064,450	-	48,041,957	1,064,450	49,106,407
			303,750,000	24,326,172			162,000,000	39,863,860			627,750,000	335,642,036			256,500,000	214,424,201		1,350,000,000	614,256,269	1,964,256,269

Computer ▸ DVD RW Drive (D:) 151008_1553 ▸ Exhibit 76 ▸

Search Exhibit 76

Organize ▾ Burn to disc

Favorites
- Desktop
- Downloads
- Recent Places
- Word Favorites
- Division Spreadsheets
- Division Presentations
- Division Documents
- Google Drive

Libraries
- Documents
- Music
- Pictures
- Videos

Computer
- B3743 (C:)
- DVD RW Drive (D:) 151008_1553
- rnettles (\\fp2\home$) (G:)
- WP (\\FP1\DATA\PSC\CLK) (I:)
- filings (\\fp3) (L:)
- HG (\\FP1\DATA\PSC\CLK) (N:)
- DB (\\FP1\DATA\PSC\CLK) (Q:)
- 123 (\\FP1\DATA\PSC\CLK) (R:)
- DATA (\\FP1) (S:)
- transfer (\\fp1\data\Public) (T:)
- FP26DOS (\\fp1\Data\Apps) (X:)
- Bat (\\fp1\data\Public) (Y:)
- Public (\\fp1\Data) (Z:)

Network

Name	Date modified	Type	Size
Files Currently on the Disc (1)			
Q 11	10/8/2015 9:48 AM	File folder	

1 item

1:48 PM
10/14/2015

77

DEF's Response to Staff's Fourth Request for Production of Documents (Nos. 13-16)

&

DEF's Supplemental Response to Staff's Fourth Request for Production of Documents (No. 13)

Note: See also files contained on Staff Exhibit CD for Nos. 13-16

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET: 150148-EI EXHIBIT: 77
PARTY: STAFF – (DIRECT)
DESCRIPTION: DEF's Response to Staff's Fourth Request for Production of Documents

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval to include in base rates the revenue requirement for the CR3 regulatory asset, by Duke Energy Florida, Inc.	DOCKET NO. 150148-EI
In re: Petition for issuance of nuclear asset-recovery financing order, by Duke Energy Florida, Inc. d/b/a Duke Energy.	DOCKET NO. 150171-EI DATED: September 25, 2015

DUKE ENERGY FLORIDA, LLC'S RESPONSE TO STAFF'S FOURTH REQUEST FOR PRODUCTION OF DOCUMENTS (NO. 13-16)

Duke Energy Florida, LLC ("DEF") responds to Staff's Fourth Request for Production of Documents (No. 13-16) as follows:

DOCUMENTS REQUESTED

13. Please refer to Staff's Fifth Set of Interrogatories to DEF, No. 45. Please provide copies of the contracts for each firm or individual that DEF identifies in response to Staff Interrogatory No. 45.

RESPONSE: DEF's engagement letter with Morgan Stanley was provided in the response to Staff Interrogatory No. 8 and is included in the set of documents bearing Bates numbers 150148-STAFFROG2-8-000001 through 150148-STAFFROG2-8-000039. In regards to the remaining engagement letters referenced in Interrogatory No. 45, DEF is in the process of reviewing these documents for confidentiality. DEF will supplement this response as soon as possible.

DEF's contract with Guidant for the information technology programming contractors is attached and bears Bates numbers 150148-STAFFPOD4-13-000001 through 150148-STAFFPOD4-13-000035. Guidant is DEF's staffing partner to provide staff augmentation resources. The specific work orders for the four Guidant contractors are also attached bearing Bates numbers 150148-STAFFPOD4-13-000036 through 150148-STAFFPOD4-13-000043. These job orders were created when the contractors were hired by the Company so the job descriptions stated might not reflect the current tasks as the contractors have rotated to new assignments.

Documents bearing Bates numbers 150148-STAFFPOD4-13-000036 through 150148-STAFFPOD4-13-000043 are confidential. A redacted version is attached hereto. An unredacted version has been filed with the FPSC along with DEF's Notice of Intent to Request Confidential Classification dated September 25, 2015.

14. Please refer to DEF's response to Staff's Third Set of Interrogatories, No. 41. Please provide DEF's annual forecast of customers, energy use per customer, and forecast of energy by rate class for Years 2015 through 2035 based on DEF's current load forecast completed in May 2015 for the 2016 clause projection filings.

RESPONSE: See attached file bearing Bates numbers 150148-STAFFPOD4-14-000001. This forecast is projected to year 2030 only.

15. Please refer to DEF's response to Staff's Third Set of Interrogatories, No. 40. Please Please provide Chapter 2 – "Forecast of Electric Power Demand and Energy Consumption" of DEF's 2015 Ten Year Site Plan.

RESPONSE: See attached file bearing Bates numbers 150148-STAFFPOD4-15-000001 through 150148-STAFFPOD4-15-000036.

16. Please refer to DEF's Response to Staff Interrogatory No. 21 from Staff's 2nd Set of Interrogatories to DEF, concerning credit spreads of other securitized utility bonds in 2007 and 2008 that sold before and after the FPL bonds, and Interrogatory No. 67 from Staff's 5th Set of Interrogatories. Please provide work papers supporting DEF's calculation of the 6 basis point spread to mid-swaps for the FPL transaction.

RESPONSE: Please see the attached document bearing Bates number 150148-STAFFPOD4-16-000001 for the source of the spreads. See also, DEF's response to Staff Interrogatory question #67 for how we calculated it.

/s/ John T. Burnett

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished via electronic mail to the following this 25th day of September, 2015.

/s/ John T. Burnett

Attorney

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MANAGEMENT SERVICES AGREEMENT

BETWEEN

DUKE ENERGY

AND

GUIDANT GROUP, INC.

8/20/2007

TABLE OF CONTENTS

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List of Schedules and Attachments

MANAGEMENT SERVICES AGREEMENT

This Management Services Agreement including all Schedules hereto (the "Agreement"), effective as of the 29th day of June, 2007, is entered into by and between Guidant Group, Inc., a Delaware corporation, ("Guidant Group" or "Supplier") and Duke Energy Shared Services, Inc. for and on behalf of itself and its Affiliates ("Duke Energy" or "Customer"). Duke Energy and Guidant Group are hereafter collectively referred to as the "**Parties**" and individually as a "**Party**."

WHEREAS, Customer desires to receive from Guidant Group certain services related to Customer's temporary workforce;

WHEREAS, this Agreement supersedes and replaces the Agreement between Guidant Group, formerly Comensura, Inc., and Customer (fka Cinergy Services, Inc.) effective June 17, 2002; and.

WHEREAS, Guidant Group desires to provide certain services to Customer related to Customer's temporary workforce Program, which Program is to be described and clarified in each SOW (as defined herein).

NOW, THEREFORE, Customer and Guidant Group, in consideration of the mutual promises contained herein and other good and valuable consideration given and received, agree as follows:

1. SERVICES

1.1 During the term of this Agreement, Guidant Group agrees to provide certain services to Customer on an as-requested basis as set forth in a written Statement of Work ("SOW") agreed to and signed by the Parties in the form attached hereto as Schedule 1 – Statement of Work Template. SOWs may be amended from time to time by written agreement executed by both parties. All services to be provided by Guidant Group pursuant to this Agreement are referred to herein as the "Services." The Parties agree that this Agreement does not establish any commitment on the part of Customer to purchase any specific amount of Services.

1.2 **Customer Rules and Compliance.** In performing the Services and using Customer Facilities (as defined herein), Guidant Group shall, and shall cause the Staffing Companies to, observe and comply with all Customer policies, rules, and regulations (including those governing business practices, smoking, harassment, weapons, safety, security, drugs and alcohol) applicable to Customer Facilities or the provision of the Services, including the Duke Energy Supplier Code of Conduct, which have been communicated to Guidant Group or Guidant Group personnel in advance by such means as are generally used by Customer to disseminate such information to its employees or contractors, including those set forth on Attachments 3-A, 3-B and 3-D and those applicable to specific Customer sites (collectively, "Duke Energy Rules"). The Parties acknowledge and agree that, as of the Effective Date, Guidant Group is fully informed as to the Duke Energy Rules. Guidant Group shall be responsible for the promulgation and distribution of Duke Energy Rules to its personnel and Staffing Companies as and

to the extent necessary and appropriate. In addition, Guidant Group and the Staffing Companies, shall be responsible for familiarizing themselves with the premises and operations at each Duke Energy site or Customer Facility at, to or from which Services are rendered and the Duke Energy Rules applicable to each such site or Facility. Additions or modifications to the Duke Energy Rules may be (i) communicated orally by Customer directly to Guidant Group and the Staffing Companies, if that is the means generally used by Customer to disseminate such information, (ii) disclosed to Guidant Group and the Staffing Companies, in writing, (iii) conspicuously posted at a Customer Facility, (iv) electronically posted, or (v) communicated to Guidant Group and the Staffing Companies, by means generally used by Customer to disseminate such information to its employees or contractors. Guidant Group and the Staffing Companies, shall observe and comply with such additional or modified Duke Energy Rules. At Customer's request, Guidant Group and the Staffing Companies, shall participate in Customer provided training programs regarding such policies, rules and regulations.

1.3 **Guidant Group's Responsibilities Regarding Duke Energy's Network**. To the extent any equipment used by Guidant Group and the Staffing Companies, is, with Customer's approval, to be connected to the network(s) of Customer, such equipment (and all software installed thereon) shall be (i) provided to Guidant Group and the Staffing Companies, by Customer at Customer's expense, (ii) shall be maintained and supported by or through Customer, at Customer's expense and (iii) shall be and remain in strict compliance with Customer's then-current security policies, architectures, standards, rules and procedures, unless and to the extent deviations are approved in advance by Customer. Customer shall load the software image on such equipment and Guidant Group shall not, and Guidant Group shall cause the Staffing Companies to not, install or permit the installation of any other software on such equipment without Customer's prior approval. Guidant Group shall, and shall cause the Staffing Companies to, promptly report any security breach of the network(s) of Customer and shall cooperate with and fully support Customer's investigation of each such security breach. In addition, Guidant Group shall, and shall cause the Staffing Companies to, promptly investigate any other security breach associated with Guidant Group, the Staffing Companies, or the performance of the Services. Guidant Group shall, and cause the Staffing Companies to, notify Customer and permit Customer to participate in the investigation of each such security breach. Guidant Group shall, and shall cause the Staffing Companies to, promptly (i) report the findings of any such investigation to Customer, (ii) provide Customer with a copy of any written report prepared in connection therewith, and (iii) to the extent in Guidant Group's or the Staffing Companies', areas of responsibility and control, prepare and (following Customer approval) implement a remediation plan to remediate the effects of the security breach and prevent its recurrence.

1.4 **Background Check/Drug Screening**. Guidant Group shall, and shall cause the Staffing Companies to, ensure that Guidant Group personnel, and the Staffing Company personnel, are authorized to work in any country in which they are assigned to perform services. In addition, Guidant Group shall, and shall cause the Staffing Companies to, comply with Duke Energy's "Non-Employee Screening" policy in Attachment 3-E of this Agreement, as such policy may be modified from time to time.

2. DEFINITIONS

2.1 Capitalized terms not otherwise defined herein shall have the meanings set forth on the attached listing of definitions (Attachment 1).

3. PRICING, INVOICING AND PAYMENT TERMS

3.1 *Pricing for Services.*

3.1.1 *Temporary Labor Pricing:* Rates charged to the Customer for temporary labor procured through this program will be charged as set out in the SOW.

3.1.2 *Guidant Group Services.* The fee charged by Guidant Group for the Services provided to Customer described hereunder shall be set out in the SOW.

3.2 *Invoices.*

3.2.1 *Staffing Company and Temporary Worker Services.* Guidant Group will invoice Customer weekly for the services provided by the Staffing Companies, and that invoice will identify at a minimum (1) the number of hours of Approved Time worked by each Temporary Worker, (2) the type of each hour worked (*e.g.* Regular Time, Approved Overtime, etc.) by each Temporary Worker, (3) the Bill Rate on each hour worked, (4) all Worker Expenses and Staffing Company Expenses, and (5) a total amount due and owing under the invoice, and (6) Customer designated departments or units to which the amounts invoiced will be allocated on Customer books and records, and (7) this Agreement number, and (8) the SOW number, as well as, any other details specifically identified in the SOW. Additionally, Guidant Group shall invoice Customer directly for monthly service fees pursuant to applicable SOW(where are these fees described?), and will provide information related to such billing as specifically identified in the SOW.

3.2.2 *Submission.* Each invoice shall contain the content and be in the format set forth in the SOW and submitted in the method defined in the SOW.

3.3 *Payments.* Customer shall pay to Guidant Group the undisputed amount billed in each invoice (Services and Management Fees) within ten (10) days of the date of such invoice. Payments due hereunder may be made through electronic fund transfers.

Guidant Group shall pay Staffing Companies for all undisputed amounts in an Invoice within five (5) days of Guidant Group's receipt of payment from Customer for each Staffing Company's services reflected in such invoice. Notwithstanding the foregoing, Guidant Group shall have no obligation to pay Staffing Companies for any amounts set forth in an invoice unless and until Guidant Group has received payment from Customer for the services provided by Staffing Company reflected in such invoice.

3.4 *Late Payments.* Any undisputed amount not paid in full when due shall be subject to interest at the rate of one and one-half percent (.5%) per month (or 6% per annum), or the highest amount permitted by law, whichever is lower.

3.5 *Disputed Invoices or Payments.* Any disputes between the parties related to invoices or payments shall be subject to the following terms;

3.5.1 Notwithstanding the arbitration provision set forth in Section 13.6 of this Agreement, in the event that any question or dispute arises regarding any item on any invoice or any payment, the disputing party shall, within thirty (30) days of receipt of the disputed invoice or payment and in accordance with Article 12 (regarding Notices) of this Agreement, provide the other party with written notice of such question or dispute. Such notice shall define the subject of the dispute as precisely and narrowly as possible. Upon such notice, the parties shall work together in good faith to resolve the dispute.

3.5.2 In the event Customer disputes an invoiced amount, Customer shall (i) pay the undisputed amount of the sum invoiced when due according to Article 3 of this Agreement, (ii) properly notify Guidant Group of such dispute in accordance with this paragraph, and (iii) work in good faith to resolve such dispute within thirty (30) days of such notice. If the parties agree that Customer was incorrectly invoiced by Guidant Group, the amount incorrectly invoiced and collected by Guidant Group may be deducted by Customer from any subsequent amount invoiced.

3.5.3 In the event Guidant Group disputes the sufficiency of a payment by Customer (including non-payment), Guidant Group shall notify Customer of such insufficient payment within thirty (30) days of receipt of such payment and will thereafter work in good faith to resolve such dispute. If the parties agree that Customer failed to pay any amounts due, Customer shall promptly pay Guidant Group such outstanding amounts.

3.6 *Responsibility for Tax Payment Withholdings.* Guidant Group shall require the Staffing Companies to report and pay the employer's share of applicable state and local taxes, federal taxes, workers' compensation, FICA, federal unemployment insurance, and other similar amounts with respect to all compensation received by the Temporary Workers assigned to Customer at the time and as otherwise required by law. Guidant Group shall require the Staffing Companies to withhold, report and forward to the appropriate authority all applicable withholdings required by law with respect to any compensation received by a Temporary Worker for any work performed for Customer.

3.7 *Tax Payments.* In the event that any federal, state or local sales, use, excise, value added, or other like tax payments are due under law on the rates charged for work performed by Temporary Workers or on the fees charged by the Staffing Companies, Guidant Group shall require the Staffing Companies to pay such taxes and will include such amounts in its Services Invoices to Customer without any Management Fee markup. Customer shall reimburse Staffing Companies (by making payment to Guidant Group, which payment Guidant Group shall forward to the applicable Staffing Company), for such tax payments in accordance with the terms and conditions set forth in the SOW. In the event Guidant Group's Management Fee is subject to any such taxes, Guidant Group shall pay such amounts and will invoice Customer for such taxes. Customer shall reimburse Guidant Group for all amounts invoiced. Nothing in this

paragraph shall be deemed to refer to payroll, unemployment, or income taxes described in the preceding paragraph.

3.8 However, if Customer specifies additional services or tangible personal property to be furnished by Guidant Group or the Staffing Companies which qualify for exemption from sales or use taxes, Guidant Group and the Staffing Companies shall, at the direction of the Customer, not include sales or use taxes in its price. Customer shall provide Guidant Group with Duke Energy's direct pay permit or exemption certificate where applicable. Guidant Group agrees to cooperate in obtaining exemption certificates necessary to claim such exemptions.

4. CUSTOMER'S OBLIGATIONS. In addition to Customer's payment obligations set forth in Article 3 and in the SOW, Customer shall:

4.1 comply with all laws related to workplace health and safety concerns, and, except as required by Section 13.19, maintain in effect during the term of this Agreement all licenses and permits that may be required by such laws or regulations;

4.2 appoint a Program manager who shall serve as Guidant Group's contact with regard to executing any SOW to the Agreement (the "Customer Program Manager"). Customer shall notify Guidant Group of the identity of such Customer Program Manger within ten (10) business days of the date hereof and, in the event of a change in the Customer Program Manager, no later than three (3) days prior to such change.

4.3 designate the individuals with whom Guidant Group or the Temporary Workers should communicate (as necessary in each Order) with respect to Guidant Group's performance under this Agreement;

4.4 provide Guidant Group with access to Customer email system, and office space and facilities to accommodate the on-site account team including, desks, telephones, computers, printers, fax machines similar in size, quantity and quality to the facilities that Customer provides to its own employees performing similar services (the "Customer Facilities") solely as necessary for Guidant Group to perform its obligations under this Agreement. THE DUKE ENERGY FACILITIES ARE PROVIDED BY CUSTOMER TO SUPPLIER ON AN AS-IS, WHERE-IS BASIS. DUKE ENERGY EXPRESSLY DISCLAIMS ANY WARRANTIES, EXPRESS OR IMPLIED, AS TO THE DUKE ENERGY FACILITIES, OR THEIR CONDITION OR SUITABILITY FOR USE BY SUPPLIER.

4.5 place all Orders for Temporary Workers with Guidant Group directly and shall not directly communicate Orders to any Staffing Company applicable to the Program as defined in a SOW;

4.6 inform all Customer personnel who may be Customer Representative, the Customer Program Manager or otherwise involved with or in use of the Services under the Program, of their obligations related to, and roles within, the Program as described in this Agreement. Customer shall reasonably ensure that such Customer personnel comply with their respective obligations related to the Program.

4.7 supervise, direct or control a Temporary Worker, while such Temporary Worker is at Customer's facilities or otherwise performing work for the Customer; not solicit, cause or encourage any Guidant Group employee to terminate his or her employment with Guidant Group during the term of this Agreement and for a period of six (6) months after the termination of this Agreement, provided however, this provision shall not operate or be construed to prevent or limit any such employee's right to practice his or her profession or to utilize his or her skills for another employer or to restrict any such employee's freedom of movement or association. Neither the publication of classified advertisements in newspapers, periodicals, Internet bulletin boards, or other publications of general availability or circulation nor the consideration and hiring of persons responding to such advertisements shall be deemed a breach of this provision;

4.8 not solicit, contract with or cause or encourage any entity to provide management services or other similar services related to Customer's temporary workforce until Customer has provided notice of termination of this Agreement to Guidant Group in accordance with Article 7

4.9 agree that Guidant Group shall have no liability for, and Customer hereby agrees to defend, indemnify and hold harmless Guidant Group from any liability of any kind arising from or related to the work performed by any Incumbent 1099 Independent Contractors Upon completion of the Incumbent 1099 Independent Contractors' Assignments, there shall be no use of 1099 Independent Contractors under the Program.

5. WORK PRODUCT, CONFIDENTIALITY AND INTELLECTUAL PROPERTY.

5.1 *Work Product.* Guidant Group acknowledges and agrees that Customer shall own exclusively all work performed or prepared by any Temporary Worker for Customer pursuant to this Agreement (collectively, the "Work Product") including, without limitation, all programs, derivative works, source code, object code, discoveries, concepts, inventions, innovations, improvements, materials, documentation, techniques, methods, processes and ideas which are conceived, made, proposed or developed by any Temporary Worker, alone or with others, in connection with any work assignment hereunder, whether or not prepared on or off Customer's premises or during regular work hours, but excluding any Excluded Inventions (as defined herein).

5.1.1 *Assignment of Rights in the Work Product.* Prior to Temporary Worker's assignment to Customer, Guidant Group shall require all Staffing Companies to cause each Temporary Worker to grant, assign and transfer to Customer all worldwide rights, title and interest in and to all Work Product including, without limitation, all patent rights, copyrights, trade secret rights, and all present and future rights of any kind pertaining to all such Work Product whether or not such rights are now known, recognized or contemplated, together with any related goodwill. Such grant, assignment and transfer shall be set forth in an agreement in the form of the Temporary Worker Agreement attached hereto at Attachment 2 . The final Temporary Worker Agreement applicable to each SOW will be mutually agreed to by Customer and Guidant Group During and after the term of this Agreement, Guidant Group shall require the Staffing Companies to provide Customer, at Customer's expense, with all assistance

reasonably required to perfect such right, title and interest, including without limitation, the execution of all papers and documents and performance of all acts necessary or appropriate, in Customer's reasonable discretion, by the Staffing Companies to evidence or further document Customer's ownership of the Work Product.

5.1.2 *Excluded Inventions.* Except for any Excluded Inventions, no Temporary Worker assigned to Customer shall be required to assign to Customer any idea, invention, discovery, innovation or improvement that such Temporary Worker developed entirely on his or her own time and without the use of any Customer equipment, supplies, facility or Confidential Customer Information, and which (i) does not relate to Customer's business or to Customer's actual or anticipated research or development and (ii) does not result from any work performed by such Temporary Worker specifically for Customer, (the "Excluded Inventions"). In any dispute with respect to the Excluded Inventions, the burden of proof shall be on the Temporary Worker to show that the exclusion does not apply.

5.1.3 *Work Made for Hire.* Except for any Excluded Inventions, any and all Work Product prepared by a Temporary Worker under this Agreement that is eligible for copyright protection shall be a work made for hire on behalf of Customer as that term is used under the United States Copyright Act and ownership of all copyrights in such Work Product shall vest in Customer. If for any reason, any such Work Product shall not be deemed a work made for hire or ownership of such copyrights would not vest in Customer, then Guidant Group shall require the Staffing Company employing such Temporary Worker, at Customer's expense, to provide Customer with all assistance reasonably required to have transferred all right, title and interest in such work, including all copyrights therein, to Customer upon notice to Guidant Group of such Work Made for Hire. In those jurisdictions that deem any work performed on a "Work Made for Hire" basis as giving rise to an employee/employer relationship, the parties specifically agree that this provision shall not apply in such jurisdiction and that each Temporary Worker shall continue to be deemed an independent contractor of Customer.

5.2 *Non-Disclosure Agreements.* Prior to the assignment of any Temporary Worker to Customer, Guidant Group shall require the Staffing Companies to cause each Temporary Worker assigned to Customer to sign a Temporary Worker Agreement, in the form of the agreement attached hereto as Attachment 2, which agreement contains non-disclosure/confidentiality provisions.

5.3 *Confidential Customer Information.* During the term of this Agreement, Guidant Group may obtain certain confidential information of Customer. This confidential information includes, but is not limited to, information regarding Customer's past, present, and future business activities (including all proprietary information related to intellectual property, research, data, development, business plans, business operations, or internal systems), any data that is subject to any privacy laws, information treated or defined as confidential under the Duke Energy Privacy Policy in Attachment 3-E, all information that Guidant Group knows or reasonably should know is confidential or proprietary

information, and may be contained on paper, computer disk or other electronic medium, communicated orally ("Confidential Customer Information"). All Confidential Customer Information is proprietary to the Customer, and Guidant Group shall, and shall cause the Staffing Companies to:

5.3.1 use Confidential Customer Information only in the performance of this Agreement;

5.3.2 not make copies of any Confidential Customer Information without Customer's consent;

5.3.3 not use or disclose any Confidential Customer Information to any third party (excluding any Staffing Companies or Temporary Workers who have a need to know or otherwise as provided for herein) without Customer's consent;

5.3.4 limit dissemination of Confidential Customer Information to Staffing Companies, Temporary Workers, and personnel of Guidant Group as necessary for its performance under this Agreement;

5.3.5 upon termination of this Agreement, deliver to Customer all papers, notes or other materials in its possession that may contain any Confidential Customer Information;

5.3.6 hold any Personal Data that it receives in confidence and in compliance with (1) their respective obligations under this Agreement, any applicable SOW, and Attachment 3-F, and (2) subject to all laws regarding its use of and access to such Personal Data. Unless otherwise agreed, Guidant Group shall, and shall cause the Staffing Companies to, process and store all Personal Data in the United States, and shall not transfer, process, or maintain Personal Data in any other jurisdiction without the prior consent of Customer. Guidant Group shall, and cause its subcontractors and Staffing Companies to, maintain technical, organizational and security measures to protect the confidentiality of Personal Data consistent with the security measures contained in this section.

5.4 *Confidential Guidant Group Information.* During the term of this Agreement and following its termination, Customer shall not use or disclose to any third party any confidential business information of Guidant Group that Customer knows or reasonably should know is confidential or proprietary information (including but not limited to information related to Guidant Group's price lists, customers, potential customers, subcontractors, potential subcontractors, employees, potential employees, business methods, trade secrets, proprietary information or databases, business plans, etc.), which may be contained on paper, computer disk or other electronic medium, or communicated orally ("Confidential Guidant Group Information"). Customer further agrees:

5.4.1 not to use or disclose to any third party, at any time, any information pertaining to the terms of this Agreement, including, but not limited to, information regarding billing rates, mark-up rates, fees and allocation of percent of business, without first obtaining the consent of Guidant Group;

5.4.2 not to make copies of any Confidential Guidant Group Information without Guidant Group's consent;

5.4.3 not to use or disclose any Confidential Guidant Group Information to any third party without Guidant Group's consent;

5.4.4 to limit dissemination of Confidential Guidant Group Information to Customer personnel as necessary for performance of this Agreement; and

5.4.5 upon termination of this Agreement, to deliver to Guidant Group all papers, notes or other materials in its possession that may contain any Confidential Guidant Group Information.

5.5 *Exceptions to Confidentiality Requirements.* The confidentiality requirements in paragraph 5.3 and 5.4 of this Agreement shall not apply to confidential information which:

5.5.1 was in the public domain at the time the receiving party learned of such information;

5.5.2 enters the public domain through no action of the receiving party;

5.5.3 was in the receiving party's possession free of any confidentiality obligations at the time of disclosure by the protected party;

5.5.4 was developed by the receiving party independently of the other party and without reference to any confidential information;

5.5.5 was rightfully obtained from third parties who in turn were not in breach of any confidentiality agreements;

5.5.6 was released for disclosure by the protected party;

5.5.7 is identified by the protected party as no longer being proprietary to the protected party;

5.6 Either Party may disclose Confidential Information of the other Party to its employees, directors, attorneys, financial advisors, contractors and agents provided that (A) such person or entity has a need to know the Confidential Information for purposes of performing his or her obligations under or with respect to this Agreement or as otherwise naturally occurs in such person's scope of responsibility, (B) such disclosure is made pursuant to an obligation of confidentiality upon such person or entity that is no less stringent than that set forth in this Agreement, and (C) such disclosure is not in violation of Law. The Party making such disclosure assumes full responsibility for the acts or omissions of any person or entity to whom it discloses Confidential Information of the other Party regarding their use of such Confidential Information and must take commercially reasonable measures to protect the Confidential Information from disclosure or use in contravention of this Agreement.

5.7 Either Party may disclose Confidential Information of the other Party as required to satisfy any legal requirement of a competent government body (or quasi-governmental body such as the Ohio Consumers' Counsel), provided that, promptly upon receiving any such request, the disclosing Party, to the extent it may legally do so, gives notice to the other Party of the Confidential Information to be disclosed and the identity of the third party requiring such disclosure prior to the making such disclosure in order that the other Party may interpose an objection to such disclosure, take action to assure confidential handling of the Confidential Information, or take such *other* action as it deems appropriate to protect the Confidential Information. The disclosing Party shall use commercially reasonable efforts to cooperate with the other Party in its efforts to seek a protective order or other appropriate remedy or, in the event such protective order or other remedy is not obtained, to obtain assurance that confidential treatment will be accorded such Confidential Information.

5.8 *Use of Name, Trademarks, or Logo.* Guidant Group shall specify in all recruiting materials and related activities that all Temporary Workers will not be Customer's employee. Guidant Group shall not use the name of Duke Energy or any of its affiliates or the fact that the Guidant Group is performing Services for Duke Energy or any of its affiliates in any press releases, media statements or public communications, or otherwise publicize this Agreement or any applicable SOW, or document related to work performed under this Agreement without the express written permission of Duke Energy. Guidant Group shall not use Duke Energy's (including its affiliates) name, logos, trademarks, service marks, trade names or trade secrets in any way,

5.9 *No Licenses or Title to Confidential or Proprietary Information.* Except as expressly provided otherwise herein, no licenses under any patents, copyrights, trademarks, or other intellectual property are granted by either party to the other party under this Agreement. All right, title to and interest in any Confidential Guidant Group Information shall remain the sole property of Guidant Group. All right, title to and interest in any Customer information, including, but limited to, Confidential Customer Information, shall remain the sole property of Customer. Customer shall have no right, title to or interest in any software application used and provided by Guidant Group during Guidant Group's performance of this Agreement, unless otherwise specified in a license or sublicense agreement, as the case may be, between Customer and Guidant Group.

5.10 Guidant Group *Work Product.* All information, reports, analysis and other documentation that (i) contains, is based upon or derives from Confidential Customer Information or other information specific to Customer and (ii) is created by Guidant Group, or at Guidant Group's direction, in connection with Guidant Group' s performance of its obligations under this Agreement ("Guidant Group Work Product"), and (iii) does not relate exclusively to the business or operations of a vendor management system, shall be considered the property of Customer. Customer hereby grants to Guidant Group an unlimited, non-transferable, royalty-free license to use the Guidant Group Work Product, in accordance with the terms of the Agreement, and strictly for the provision of Services hereunder..

6. WARRANTY.

6.1 *Guidant Group Services.* Guidant Group warrants that for the duration of this Agreement it shall perform Services it is obligated to perform hereunder in a workmanlike manner according to generally accepted standards of the temporary workforce management industry and pursuant to any SOW and corresponding Service Level Agreements. If Guidant Group fails to perform the Services in conformity with such warranty, upon notice of such non-conformity, then Guidant Group shall promptly repair such services by providing such additional services as in Guidant Group's reasonable business judgment are necessary to remedy such non-conformity. Customer shall not be billed for the time necessary to repair any deficiency in work due to such unsatisfactory performance. Such repair shall be the exclusive remedy of Customer hereunder for any unsatisfactory work performed by Guidant Group. Notwithstanding the foregoing, if Customer does notify Guidant Group of any failure by Guidant Group to meet the foregoing warranty within the earlier to occur of (i) twenty (20) days of Customer's discovery of such nonconforming services or (ii) three (3) months from the performance of such nonconforming services, Customer shall be deemed to have waived any claim regarding, and Guidant Group shall have no liability for, such nonconforming services.

6.2 *Staffing Company Services.* Guidant Group shall require each Staffing Company to (i) satisfactorily perform, and (ii) cause each Temporary Worker assigned to Customer to satisfactorily perform the services requested by the Customer, or by Guidant Group on Customer's behalf, in a workmanlike manner according to generally accepted standards of temporary labor in Customer's industry. Upon Customer's notice to Guidant Group of unsatisfactory performance by a Temporary Worker, Guidant Group shall require the employer-Staffing Company to remove such Temporary Worker and to promptly provide a replacement Temporary Worker. In such event, Customer shall not be billed the Pay Rate, the Bill Rate or any other fee for the hours, or portions thereof, during which any unsatisfactory work was performed, and such remedy shall be Customer's exclusive remedy against Guidant Group with regard to any unsatisfactory performance by Temporary Workers. Customer shall have the right to a direct action against both the Staffing Company and the Temporary Worker for any claims related to this Section 6.2. Customer agrees that it will pursue all claims related to the performance of a Temporary Worker or the negligence of the Staffing Company providing such Temporary Worker, exclusively against such Temporary Worker and Staffing Company.

6.3 ***DISCLAIMER.*** **GUIDANT GROUP MAKES NO OTHER WARRANTIES THAN THOSE EXPRESSED HEREIN, EXPRESSED OR IMPLIED. ALL OTHER, WARRANTIES ARE HEREBY EXCLUDED TO THE EXTENT ALLOWED BY APPLICABLE LAW.**

7. TERM AND TERMINATION.

7.1 *Term.* This Agreement shall continue indefinitely until terminated for cause or convenience by either party in accordance with this Article 7.

7.2 *Termination for Cause.* Either party may terminate this Agreement or any SOW for material breach of its terms by the other party upon thirty (30) days prior written notice of such breach, unless (i) the breaching party cures such breach within such thirty (30) day notice period or, (ii) if such cure requires more than thirty (30) days, the breaching party undertakes and diligently pursues necessary actions to cure such breach within a reasonable time. In the event Customer terminates this Agreement for cause, Guidant Group shall: (a) require each Staffing Company to cause its Temporary Workers to continue their assignments through completion of the current Orders (unless otherwise directed by Customer), (b) maintain any software applications or other electronic databases Guidant Group is operating on Customer's behalf for ninety (90) days after the date of termination (unless otherwise directed by Customer), and (c) return all Customer Confidential Information in accordance with Section 7.5. In the event of termination of this Agreement for cause by Guidant Group, Customer shall: (a) promptly upon such termination, pay all rates, fees, costs and bonuses due and owing as of the date of such termination, and (b) return all materials in accordance with Section 7.4.

7.3 *Termination for Convenience.* Either Party may terminate this Agreement or any SOW for convenience with one hundred and eighty (180) days written notice. Other than the obligations which survive termination pursuant to Section 13.8 of this Agreement, including Customer's obligations to pay Guidant Group all monies due and owing and the non-solicitation provision set forth in Section 4.7, neither party shall owe the other party any obligations under this Agreement after such termination.

7.4 *Termination Costs.* In the event this Agreement is terminated by Customer pursuant to Section 7.3 or by Guidant Group pursuant to Section 7.2, Customer shall reimburse Guidant Group for its commercially reasonable, after having used its commercially reasonable efforts to reduce and mitigate such costs, administrative costs associated with such termination and related to the transition of data, information, property, incumbent staffing, etc. (the "Termination Costs"). Such Termination Costs shall include Guidant Group's costs and fees, if any, associated with Services provided by Guidant Group in connection with the transition of the Program to another vendor or back to Customer. Termination Costs shall not include cost associated with Guidant Group's internal cost of doing business, i.e. employee severance cost, employee relocation cost, asset reallocation cost. All Termination Costs shall be billed in accordance with Article 3.

7.5 *Return of Work and Materials.* Both parties shall, and shall cause their employees to, deliver to the other party all documents or materials, confidential or otherwise, obtained from the other party in the course of performance under this Agreement.

8. RELATIONSHIP OF PARTIES.

8.1 *Independent Status.* At all times during the term of this Agreement, Guidant Group and its employees shall remain independent of Customer. All Temporary Workers assigned to Customer by Guidant Group are and shall at all times be independent contractors of Customer. The Temporary Workers assigned to Customer under this Agreement shall be employees of the Staffing Companies and in no event shall any Temporary Worker

be considered, by reason of their assignment to Customer, an employee of Customer or Guidant Group. There shall be no Companieship or joint venture created by this Agreement. Neither party shall have the power to bind or commit the other.

8.2 *No Benefits.* Regardless of the nature or duration of any assignment with Customer, neither Guidant Group's employees nor any of the Temporary Workers assigned to Customer shall be eligible for or entitled to participate in any of Customer's employee benefit plans, programs, policies or practices which may now or in the future be in effect, including, without limitation, any pension, retirement, or 401(k) plan; workers' compensation benefits, any profit sharing, stock option, bonus or incentive compensation plan; any life or health insurance plan; any vacation or holiday pay plan; or any separation payment plan.

9. INSURANCE.

9.1 *Required Insurance Coverage.* During the term of this Agreement, Guidant Group shall maintain adequate insurance of the types and in amounts no less than the minimum coverage listed in Schedule 2. Guidant Group shall require the Staffing Companies to maintain adequate insurance of the types and in the amounts no less than the minimum coverage listed in Schedule 2. Guidant Group shall provide Customer, upon Customer's reasonable written request, certificates evidencing such coverage. Guidant Group shall establish processes to monitor and verify the Staffing Companies' compliance with the foregoing requirement.

9.2 *Additional Named Insured and Alternate Employer Status.* Guidant Group shall name Customer as an additional insured on the required Commercial General Liability Insurance, Automobile Liability Insurance and umbrella liability coverage, but solely to the extent of the specific risks and liabilities assumed by Guidant Group hereunder. Guidant Group shall require each Staffing Company in the Program to name Customer as an additional insured on the required commercial general liability, automobile liability and umbrella liability coverage, and to include an Alternate Employer Endorsement naming Customer as an Alternate Employer on their worker's compensation policies. All such policies shall be endorsed to provide Customer with thirty (30) days notice of any cancellation, material modification, material reduction in coverage, or non-renewal.

10. INDEMNIFICATION.

10.1 *GUIDANT GROUP'S INDEMNIFICATION OF CUSTOMER.* TO THE FULLEST EXTENT PERMITTED BY LAW, AND IN ADDITION TO OTHER INDEMNIFICATION PROVIDED ELSEWHERE IN THIS AGREEMENT GUIDANT GROUP SHALL DEFEND, INDEMNIFY AND HOLD HARMLESS CUSTOMER FROM ANY AND ALL CLAIMS, DAMAGES, SUITS, JUDGMENTS, FINES, SETTLEMENTS, OR LIABILITIES OF ANY KIND ARISING OUT OF THE SERVICES UNDER THIS AGREEMENT, INCLUDING INJUIRIES OR DEATH TO PERSONS, OR DAMAGE TO PROPERTY, CAUSED BY THE ACTIONS, ERRORS, OR OMISSIONS OF GUIDANT GROUP OR ITS EMPLOYEES, SERVANTS OR AGENTS EXCEPT THAT THIS INDEMNIFICATION EXPRESSLY EXCLUDES ANY AND ALL CLAIMS ARISING (1) OUT OF OR IN

CONNECTION WITH THE GROSS NEGLIGENCE OR INTENTIONAL MISCONDUCT OF CUSTOMER OR CUSTOMER'S EMPLOYEES, SERVANTS OR AGENTS, OR (2) SOLELY FROM THE NEGLIGENCE OF CUSTOMER.

10.2 *MUTUAL NEGLIGENCE.* IN THE EVENT CLAIMS ARISE OUT OF OR IN CONNECTION WITH THE NEGLIGENCE ON THE PART OF BOTH PARTIES, THE PARTIES AGREE TO INDEMNIFY EACH OTHER IN PROPORTION TO EACH PARTY'S RESPECTIVE NEGLIGENCE.

10.3 *CUSTOMER'S INDEMNIFICATION OF GUIDANT GROUP.* IN ADDITION TO OTHER INDEMNIFICATION PROVIDED ELSEWHERE IN THIS AGREEMENT, CUSTOMER SHALL DEFEND, INDEMNIFY AND HOLD HARMLESS GUIDANT GROUP FROM ANY AND ALL CLAIMS, DAMAGES, SUITS, JUDGMENTS, FINES, SETTLEMENTS, OR LIABILITIES OF ANY KIND ARISING OUT OF THE OR RELATED TO THE SERVICES PROVIDED UNDER THIS AGREEMENT AND: (A) THE ACTIONS, ERRORS OR OMISSIONS OF CUSTOMER, ITS EMPLOYEES, SERVANTS OR AGENTS, (B) INFRINGEMENT OF ANY INTELLECTUAL PROPERTY (INCLUDING THIRD PARTY PATENTS, COPYRIGHTS, TRADEMARKS OR TRADE NAMES) WHICH CUSTOMER REQUESTED OR ORDERED GUIDANT GROUP, ITS EMPLOYEES OR A TEMPORARY WORKER TO USE, (C) ANY SERVICES, INVOICES, OR ACTIONS OF ANY INCUMBENT STAFFING VENDORS WHO ARE NOT MANAGED BY GUIDANT GROUP UNDER THE PROGRAM, (E) THE ASSIGNMENT OF TEMPORARY WORKERS TO JOB DUTIES SUBSTANTIALLY DIFFERENT FROM THOSE SPECIFIED IN ANY ORDER, (E) ANY SERVICES, INVOICES OR ACTIONS OF ANY INCUMBENT STAFFING COMPANY PRIOR TO THE PROGRAM START DATE, (F) PERSONAL INJURY OF PERSONS, INCLUDING TEMPORARY WORKERS AND GUIDANT GROUP EMPLOYEES, INCURRED ON CUSTOMER'S PREMISES, EXCEPT THAT THIS PERSONAL INJURY INDEMNIFICATION EXPRESSLY EXCLUDES ANY AND ALL CLAIMS ARISING (1) OUT OF OR IN CONNECTION WITH THE GROSS NEGLIGENCE OR INTENTIONAL MISCONDUCT OF GUIDANT GROUP, OR (2) SOLELY FROM GUIDANT GROUP'S NEGLIGENCE.

10.4 *Notification of Claim; Choice of Counsel.* The party being indemnified (the "Indemnified Party") shall reasonably notify the indemnifying party (the "Indemnifying Party") of the assertion of any claim related to the indemnification obligations set forth in this Article 10, so as to permit the Indemnifying Party reasonable time within which to notify its insurers of such claim and the tender of the defense thereof by the Indemnifying Party; provided however, the failure to so notify shall not relieve the Indemnifying Party of its indemnification obligations hereunder except to the extent of actual prejudice caused by such failure. The choice of any counsel appointed by the Indemnifying Party to defend the Indemnified Party shall be subject to prior approval by the Indemnified Party.

10.5 *Patent or Copyright Infringement Indemnification.* In the event that (1) any processes, materials, hardware or software used by Guidant Group in the performance of Services to Customer are found, in Customer's reasonable opinion are likely to be found, to

infringe upon the patent, copyright, trademark, trade secrets, intellectual property or proprietary rights of any third party, or (2) the continued use of such processes, materials, hardware or software is enjoined, Guidant Group shall (a) defend, indemnify and hold harmless Customer, it respective officers, directors, employees, agents, representatives, successors and assigns from any and all losses and threatened losses, and (b) promptly, and at its own cost and expense and in a manner as to minimize the disturbance to Customer's business activities do one of the following: (w) obtain for Customer, the right to continue using such processes, materials, hardware or software, (x) modify such processes, materials, hardware or software in question so that it is no longer infringing, (y) replace such processes, materials, hardware or software with a non-infringing functional equivalent acceptable to Customer, or (z) despite Guidant Group using commercially reasonable efforts, the Parties determine that alternatives (w) – (y) are not feasible, Guidant Group may discontinue its use of such infringing or potentially infringing processes, materials, hardware or software.

10.6 *Staffing Companies' Indemnification of Customer.* Guidant Group shall require each of the Staffing Companies to defend, indemnify and hold harmless Customer (as a third party beneficiary to the indemnification provision in the agreements between Guidant Group and each Staffing Company) from any and all claims, damages, suits, judgments, fines, settlements, or liabilities of any kind arising from or related to breach by the Staffing Companies or the Temporary Workers of their respective obligations described herein, except that such indemnification shall expressly exclude any and all claims arising out of or in connection with (1) the gross negligence or intentional misconduct of Customer or Customer's employees, servants or agents, or (2) Customer's sole negligence with regard to the supervision, direction and control of Temporary Workers. Guidant Group shall reasonably cooperate with Customer, including making available to Customer all pertinent information under its control, in the event Customer exercises such indemnification rights against any Staffing Company.

11. AUDIT RIGHTS. During the term of this Agreement and for a period of three (3) years following the termination of this Agreement, or for such longer period as may be required by applicable law, the parties shall maintain accounting, operational, and business records necessary to verify: (i) the basis for all charges billed to Customer hereunder and (ii) each party's respective compliance with the terms of this Agreement. Each party shall have the right to audit such records during normal business hours upon reasonable notice to the party to be audited. In the event that such audit reveals that Guidant Group has billed Customer in excess of the correct amount to be billed, Guidant Group shall promptly pay to Customer the amounts over paid. In the event such audit reveals that Customer has failed to pay Guidant Group all bonuses or other monies required under this Agreement, Customer shall promptly pay Guidant Group all amounts owed.

12. NOTICES. Notices shall be effective upon receipt, or such later date as specified in the notice. Any notice required or permitted to be delivered by one party to another under or in connection with this Agreement shall be in writing and delivered by certified U.S. mail, return receipt requested, electronic mail, facsimile or nationally recognized overnight carrier to the attention of the individual(s) and at the address(es) indicated below:

If to Guidant Group, to:

1775 St. James Place, Suite 236
Houston, TX 77056
Attn: Dennis Kanegaye, President
facsimile: 713-297-8261
electronic mail: dennis.kanegaye@Guidant Group.com

with a copy to:

Gohn, Hankey & Stichel, LLP.

201 North Charles Street, Suite 2101

Baltimore, Maryland 21201

Attn: David L. Hankey

Facsimile: 410-752-2519

Electronic mail: dlhankey@ghsllp.com

If to Customer, to:

Duke Energy Corporate Supply Chain

Attn: Director Corporate Supply Chain

400 S. Tryon St

Charlotte, NC 28285

Facsimile:704-382-3285

13. MISCELLANEOUS.

13.1 *Successors and Assigns.* This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto, and their respective successors and assigns. This Agreement shall not be assigned in whole or in part by the parties without the other party's prior written consent, except that either party may assign this Agreement to an affiliate of such party. Any unauthorized assignment shall be void.

13.2 *Governing Law.* The laws of the State of North Carolina shall govern the Agreement. Guidant Group agrees that all actions and proceedings brought by Customer against Guidant Group may be litigated in courts located in the State of North Carolina or in the state where the work was performed. Guidant Group agrees that such courts are convenient forms and irrevocably submits to the personal jurisdiction of such courts.

13.3 *No Inducements.* Guidant Group warrants and represents to Customer that it has neither provided nor offered to provide any gifts, payments, or other inducements to any officer, employee or agent of Customer for any purpose. Guidant Group shall not, and shall require Staffing Companies to ensure that Temporary Workers assigned to Customer do not, provide or offer any gifts, payments, or other inducements to any officer, employee or agent of Customer for any purpose. Guidant Group shall, and shall cause the Staffing Companies to, comply with the Duke Energy Supplier Code of

Conduct as set forth in Attachment 3-B of this Agreement, as such Code of Conduct may be reasonably modified from time to time.

13.4 *Severability.* In the event that any provision of this Agreement or the application thereof becomes or is declared by a court of competent jurisdiction to be illegal, void or unenforceable, the remainder of this Agreement shall continue to be in full force and effect. The parties further agree to replace such illegal, void or unenforceable provision of this Agreement with a legal, valid and enforceable provision that shall achieve, to the extent possible, the economic, business and other purposes of such illegal, void or unenforceable provision.

13.5 *Waiver.* The delay or failure of either party to enforce at any time or for any period of time any of the provisions of this Agreement shall not be construed to be a waiver of such provisions or of its right thereafter to enforce each and every provision as written.

13.6 *Dispute Resolution/Arbitration.* The parties agree that all disputes arising under this Agreement, except for breaches of the Agreement for which injunctive relief is an appropriate remedy, shall be subject to dispute resolution between the parties. Such dispute resolution shall be performed in the first instance by the Guidant Group account manager assigned to Customer and the Customer representative designated by Customer in accordance with Section 4.2. Any dispute not settled by such representatives within sixty (60) days from the date it was referred to them shall be referred to the parties' respective Vice Presidents (or other officer to whom such responsibility has been delegated in writing by such Vice President). If the parties' Vice Presidents (or delegated officers) do not settle such dispute, it shall be settled by arbitration, commenced by either party, in accordance with this Section 13.6. Such arbitration shall be conducted under the commercial arbitration rules of the American Arbitration Association. No arbitrator shall have any authority to award damages in excess of those specified in this Agreement. Notwithstanding the foregoing, the parties hereto agree that any claims for injunctive relief may be brought before any court of competent jurisdiction.

13.7 *Force Majeure.* Neither party shall be liable for its failure to perform hereunder due to circumstances beyond its reasonable control, including but not limited to strike, riot, war, fire, act of God, act of terrorism, accident, plant breakdown not caused by the fault or neglect of the party failing to perform, compliance with any law, regulation or order, whether valid or invalid, of the United States of America or any other governmental body.

13.8 *Survival.* Articles [3, 4.8, 5, 7.5, 10, 11 and 13], of this Agreement shall survive termination, cancellation or expiration of this Agreement.

13.9 *Entire Agreement; Modification.* The attachments, exhibits and schedules attached hereto, as amended from time to time in accordance with this provision, form an integral part of this Agreement and are expressly incorporated in this Agreement. This Agreement, together with all such attachments, exhibits and schedules, constitute the full and complete understanding and agreement of the parties relating to the subject matter hereof and supersede all prior or contemporaneous understandings and agreements relating to such subject matter. Any waiver, modification or amendment of

any provision of this Agreement shall be effective only if in writing and signed by the parties hereto.

13.9 *Non-Exclusive Arrangement.* Customer acknowledges that Guidant Group may provide services to others similar to the Services it is providing Customer hereunder. Guidant Group shall be the exclusive provider of vendor management services for staffing companies that provide temporary workers for positions included in the Program for the Customer. The Customer shall have the right to use the services of staffing companies that provide temporary workers for positions outside of those included in the Program.

13.11 *Limitation of Liability.* Except liability for nonpayment by Customer in breach of Article 3 hereunder, either party's breach of Article 5, and each party's respective infringement indemnity obligations hereunder, each party's liability shall be limited to the greater of (a) an amount equal to the Management Fee paid by Customer to Guidant Group during the twelve (12) month period preceding the incident giving rise to such liability, or one million dollars ($1,000,000). In no event shall either party be liable for any unforeseen, special, punitive, or consequential damages or lost revenue or lost profits.

13.12 *Headings.* Section heading are included for convenience only and are not to be used to construe or interpret this Agreement.

13.13 *Compliance with Laws.* In the performance of this Agreement, each party agrees to comply with all applicable federal, state and local laws, rules and regulations.

13.14 *Liens.* Guidant Group shall not, and shall cause the Staffing Companies to not, file or permit to be filed any lien with respect to the Services, and to the extent permitted by law, expressly waives any right to file or cause to be filed a lien. Guidant Group, in its subcontracts, shall require all subcontractors and Staffing Companies, to the extent permitted by law, to expressly waive the right to file any liens against Customer's property and, if requested, provide Customer with copies of such waivers. Guidant Group shall, or shall cause the applicable Staffing Company to, immediately bond off any lien against Customer and shall indemnify Customer for any costs or expenses resulting from a breach of this paragraph. In the event that rights to a mechanic's lien are claimed upon Customer's property by a subcontractor, Guidant Group or a Staffing Company, Guidant Group shall, or shall cause the applicable Staffing Company to, expeditiously obtain a bond or release of said mechanic's lien. Upon Guidant Group's, or the applicable Staffing Company's, failure to expeditiously obtain said bond or release, Customer may proceed to obtain the bond or release of the mechanic's lien and Guidant Group, or the applicable Staffing Company, shall be liable to Customer for any costs and expenses including attorneys' fees, which are incurred by Customer in obtaining said bond or release.

13.15 *Compliance with Regulatory Code of Conduct.* Guidant Group acknowledges, and shall cause the Staffing Companies to acknowledge that, from time to time, Guidant Group or the Staffing Company may be given access to or otherwise become aware of certain operational information of Customer, the disclosure of which to affiliates of Customer is prohibited by federal law. Such confidential information includes, but is not limited

to (a) planned outage schedules, (b) events of forced outages and generator derating, (c) construction schedules, and (d) operational practices at the Customer's generating stations. Guidant Group shall, and shall require the Staffing Companies to (i) maintain the strict confidentiality of such operational information, and (ii) not share such operational information with any third parties, including any affiliated entities of Customer.

13.16 *Fraud and Ethics.* Guidant Group shall, and shall require the Staffing Companies to, be familiar with and shall adhere to the principles of Duke Energy's Supplier Code of Conduct located at http://www.duke-energy.com/about/suppliers, and with Customer's Code of Business Ethics. Guidant Group shall, and shall require the Staffing Companies to, promptly report any fraud, illegal activity, fiscal waste or abuse, or other violations of Duke Energy's Code of Conduct or Code of Business Ethics by any party, including Guidant Group's suppliers and service providers. Such activity may be reported by contacting: (a) the applicable Duke Energy Contract Administrator, (b) Duke Energy's Chief Compliance Officer at 704-382-6510, (c) Duke Energy's Ethics Line at 800-525-3783, which may be called anonymously, or (d) Duke Energy's website at www.dukeenergy-ethicsline.com which is managed by a third party.

13.17 *Diverse Suppliers.* For any Agreement in which the total compensation to Guidant Group or a Staffing Company equals or exceeds $550,000, Guidant Group shall, and shall require the Staffing Companies to, adopt and utilize a subcontracting plan that complies with 48 C.F.R. 52-219-9 for Small Diverse Suppliers ("SDS"). Guidant Group shall, and shall require the Staffing Companies to: (i) use all commercially reasonable efforts to utilize SDS (and Large Diverse Suppliers) as required by law; and (ii) provide Customer a quarterly status report in a format reasonably acceptable to Customer. Such report shall be entered on Duke Energy's website at www.duke-energy.com. Customer, its designated auditors and any applicable government agency shall have the right of access during normal business hours to inspect Guidant Group's or the applicable Staffing Company's records related to SDS and compliance with this section.

13.18 *Cyber Security.* Should Guidant Group or Staffing Company, or any of their employees, subcontractors, representatives, or any other similarly authorized third parties under the control of Guidant Group or a Staffing Company who will be providing Services hereunder on behalf of Guidant Group or such Staffing Company require or be permitted unescorted access to Duke Energy;s electronic or physical assets, which are classified as "critical" under Duke Energy's Standard 6000 for Cyber Security or the regulatory requirements of the North American Electric Reliability Corporation (NERC), all such persons shall be required to meet certain pre-requisites prior to access to any such critical assets. Therefore, when any secured electronic or physical access is needed or permitted, all persons identified above in this provision shall: (a) successfully complete the Duke Energy-administered background screening requirement; (b) take the Duke Energy-administered Cyber Security training; and (c) be given a company identification number in the Duke Energy Human Resources Management System (HRMS) for tracking purposes.

13.19 *Service Permits.* Guidant Group shall, and shall require the Staffing Companies to, obtain at their expense, all permits and licenses required to perform the Services.

IN WITNESS WHEREOF, the parties hereto have executed this Management Services Agreement on the dates set forth below, to be effective as of the date first set forth above.

GUIDANT GROUP, INC.:	CUSTOMER
By: [signature]	By: [signature]
Printed Name Steve Derw	Printed Name James W. Chuber
Title Regional Director	Title General Manager, Supply Chain
Date 8/21/07	Date August 21, 2007

SCHEDULE 1

Statement of Work

This Statement of Work (the "SOW") effective _____ is issued pursuant to the Management Services Agreement effective as of the 30th day of April, 2007 between Duke Energy Shared Services, Inc. for and on behalf of itself and its Affiliates ("Customer") and Guidant Group, INC. ("Guidant Group"). The specific terms which will apply to this request are described below:

SERVICES:

1. Staffing Company Management under the Program.
2. The Program under this SOW shall be defined as:
3. The Program for this SOW will include but not be limited to ;
4. The Program Start Date is:
5. Services.
6. Incumbent Staffing Vendors.
7. 1099 Independent Contractors shall within days of the Program Start Date (the "Transition Period") be properly classified by Guidant Group and managed by Guidant Group under the Program pursuant to Section 4.10 of the Agreement. .
8. Staffing Company Evaluations and Audits. .
9. Primary Point of Contact. Guidant Group shall be the primary point of contact for Customer (including Customer Representative, and the designated Customer Program manager), and for the Staffing Companies, as the case may be, for questions or disputes related to the Program, including (a) the placement and filling of Orders, (b) the processes for Screening and On-Boarding of Temporary Workers set forth in Schedule 2, and (c) the invoicing of, and payment by Customer for, the services of the Staffing Companies and/or Temporary Workers in accordance with Schedule 3.
10. Temporary Workers. In accordance with the terms of the Agreement, Guidant Group shall
11. Supply of Temporary Workers. Guidant Group shall manage the processes by which the Staffing Companies supply to Customer the Temporary Workers. Customer Representative shall place all Orders for Temporary Workers with Guidant Group directly and shall not directly communicate Orders to any Staffing Company. Any requisitions for temporary labor that any Customer personnel places directly with any Staffing Company or with any other third-party vendors shall be beyond the scope of this Agreement and Guidant Group shall have no liability or contractual responsibility related thereto.
12. Independent Contractors, Subcontractors and Former Employees.
13. 1099 Independent Contractors.
14. Subcontractors.
15. Former Employees.
16. Notwithstanding the foregoing, Guidant Group shall have no liability to Customer for, and Customer hereby agrees to defend, indemnify and hold harmless Guidant Group from, any liability of any kind arising out of, or related to Customer's use of 1099 Independent Contractors, employees of Subcontractors, and/or Former Employees.
17. Orders.
18. Authority.
19. Content.
20. Order Submission Process. Orders shall be placed electronically via the Electronic Application.
21. Selection of Temporary Workers Cancellation of Orders.
22. Cancellation by Customer.
23. Cancellation by Guidant Group.

24. No Termination.
25. Response Procedure.
26. For each Temporary Worker selected, prior to the applicable start date set forth in the Order, Guidant Group shall in conjunction with the Staffing Companies:
27. Customer's Administrative Obligations related to the Program.
28. Conversion Procedure.
29. Quarterly Performance Evaluation.
30. Probationary Period for Certain Temporary Workers.

Approvals

Inclusions – SOW Schedules/Attachments
Screening and On-Boarding
Pricing, Costs, Invoicing and Payment Reports,
Information and Additional Services Insurance Requirements
Temporary Worker Agreement between Staffing Company and Temporary Worker
End User License Agreement
Confidentiality Agreement between Guidant Group and Customer
Program Performance Criteria Staffing
Company Performance Metrics

SCHEDULE 2

I. During the term of this Agreement, Guidant Group shall maintain, and shall cause the Staffing Companies to maintain standard insurance policies as follows:

A. Worker's Compensation in accordance with the statutory requirements of the state, and Employer's Liability Insurance of not less than $1,000,000 each accident for bodily injury by accident, and $1,000,000 each employee and policy limit for bodily injury by disease;..

B. Commercial General Liability Insurance in a combined single limit of $1,000,000 each occurrence for bodily injury and property damage liability and $2,000,000 in the aggregate, including Contractual Liability coverage, bodily injury to or death of persons, and/or loss of or damage to property of parties other than Owner;

C. Automobile Insurance (owned, non-owned or hired) in a combined single limit of $1,000,000 per accident for bodily injury and property damage liability.

D. Errors & Omissions Insurance (for Staffing Partner services) in the amount of $1,000,000.

II. Insurance policies pursuant to this Schedule 2. I.:

A. will not be cancelled or allowed to lapse or any change made herein which changes, restricts or reduces the insurance provided or changes the name of the insured without first giving at least thirty (30) days notice in writing to Guidant Group, Inc. as provided under the Notices provisions of applicable Agreements;

B. shall be procured with insurance providers having a Bests' Rating of A- VII or better;

C. shall name Guidant Group, Customer and any additional Customer operating companies within scope of the Program as additional insured's on each applicable insurance policy for the above (except Workers' Compensation and Errors and Omissions). A signed copy of the endorsement adding Guidant Group and Customer as additional insured shall be attached to the certificate of insurance providing general liability coverage;

D. shall waive all rights of subrogation against Customer; and

E. shall be primary to any other insurance maintained by Customer, and any insurance or self-insurance maintained by Customer shall not be contributing.

III. Evidence of such specific endorsements pursuant to this Schedule 2 shall be provided with Guidant Group's or Staffing Company's certificate of insurance furnished to Customer immediately upon Customer's request and to by Staffing Company to Guidant Group prior to the start of Services and within thirty (30) days of each renewal. Guidant Group's and Staffing Company's compliance with these insurance provisions and the limits of insurance specified herein shall not constitute a limitation of Guidant Group's or Staffing Company's liability or otherwise affect Guidant Group's or Staffing Company's indemnification obligations pursuant to this Agreement. Any failure to comply with all of these provisions shall permit Customer to suspend all Services until compliance is achieved.

Attachment 1
Definitions

As used in the Agreement, the Statement of Work, and all attachments, the following terms shall have the meanings set forth below.

1. "Approved Overtime" means overtime worked by a Temporary Worker and approved in advance by a Customer Representative.
2. "Approved Time" means the time worked by a Temporary Worker on assignment to the Customer that has been approved by a Customer Representative.
3. "Assignment" means the engagement of Temporary Worker as a result of the fulfillment of an Order.
4. "Bill Rate" means the total hourly fee charged by the Staffing Company to the Customer for the services of a Temporary Worker, and is the sum of the Pay Rate plus the Mark-Up Rate.
5. "Guidant Group Expenses" means actual, out-of-pocket, reasonable expenses incurred by Guidant Group's on-site personnel in connection with the Program.
6. "Conversion Fee" means the fee charged by the Staffing Company when the Customer hires a Temporary Worker as a regular employee.
7. "Conversion Fee" means the fee charged by the Staffing Company when the Customer hires a Temporary Worker as a regular employee.
8. "Customer Facility" means the facility of the Customer identified in an Order.
9. "Customer Representative" Any Duke Energy employee who is authorized by Customer to be involved in the process of acquiring a temporary worker and who is responsible for engaging and managing temporary staff resources acquired through the Program. Such representative will be responsible for but not limited to the following; submitting an Order, approving an Order, approving time sheets and terminating an Order.
10. "Electronic Application" means the computer software and programs provided by Guidant Group in connection with Order placement and fulfillment, timesheet submission, and approval, and invoice submission.
11. "Electronic Application Fee" means the amount charged Customer by Guidant Group for firms engaged in primary vendor relationships outside of the Guidant Group Managed Services Program in exchange for the use of Guidant Group's web-based time and expense reporting and invoicing technologies.
12. "Implementation Fee" means the fee payable by the Customer to Guidant Group for the costs and expenses associated with Guidant Group's implementation of the program.
13. "Incumbent Assignment" means assignments of Incumbent Workers prior to the Program Start Date.
14. "Incumbent Staffing Vendor" means the Staffing Company providing services to the Customer prior to the Program Start Date.
15. "Incumbent Staffing Company" means an Incumbent Staffing Vendor that participates in the Program.
16. "Incumbent Worker" means the Temporary Worker employed by an Incumbent Staffing Company prior to the Program Start Date.
17. "Incumbent Assignment" means the assignment of an Incumbent Worker at the Customer prior to the Program Start Date.
18. "Independent Contractor" means: (1) persons who contract with a Staffing Company and to whom such Staffing Company makes payments, which payments are reported on Internal

Revenue Service series 1099 Forms, (2) any single-shareholder corporation whose only employee is the sole shareholder; and (3) any single-member limited liability company whose only employee is the sole member.

19. "Management Fee" means an amount equal to a percent, to be identified in the SOW, of the total invoices submitted through Guidant Group's e-procurement application "Spend Under Management",.
20. "Management Invoice" means the invoice issued by Guidant Group to the Customer for the services provided by Guidant Group and for any Guidant Group Expenses.
21. "Mark-Up Rate" means the hourly fee charged by the Staffing Company for the services performed by the Temporary Worker to the Customer in addition to the Pay Rate.
22. "Midwest Operations" means Customer organizational or physical operations operating in Indiana, Ohio or Kentucky.
23. "On-Boarding" means the performance by Staffing Companies of certain tasks to familiarize Temporary Workers with the program and the Customer's policies and procedures.
24. "Off-Boarding" means the performance by Staffing Companies or Guidant Group of certain tasks related to the termination of a Temporary Worker's assignment.
25. "Orders" means all requests or requisitions for Temporary Workers submitted by the Customer to Guidant Group. "Order Approver" shall mean the specific Customer Representative designated by Customer, either before an Order is placed or as otherwise set forth in an Order, as the personnel responsible for approving Orders placed by a Customer Representative.
26. "Order Start Date" means the date the Temporary Worker is to begin providing services to the Customer.
27. "Pay Rate" means the hourly wage paid to a Temporary Worker.
28. "Program" means the management Services to be provided by Guidant Group to the Customer.
29. "Program Performance Metrics" means the measurements of Guidant Group's performance, as set forth on Attachment 2.
30. "Program Start Date" means the date set forth in the Management Services Agreement.
31. "Quarterly Business Review" means the quarterly report issued by Guidant Group to the Customer setting forth Guidant Group's performance with respect to the Program Performance Metrics for the prior calendar quarter.
32. "Services Fee" means a fixed monthly fee to be identified in a SOW "Services Fee" to be paid directly by Customer to Guidant Group.
33. "Services Invoice" means the invoice issued by Guidant Group to the Customer for the services provided by the Staffing Companies.
34. "Skill Set" means the skills set forth in the Order that the Temporary Worker must possess in order to perform the duties of the assignment.
35. "Southeast Operations" means Customer business operations organizationally and physically residing in North and South Carolina.
36. "Spend Under Management" means the the total amount billed to Customer in the Services Invoices for the hours worked by Temporary Workers provided through Staffing Companies .
37. "Staffing Company" means the third-party vendors contracted by Guidant Group that employ Temporary Workers and assign them to provide services to the Customer under the Program.
38. "Staffing Company Expenses" means actual, out-of-pocket, reasonable expenses incurred by a Staffing Company related to the recruitment of professional, information technology, or other specialty job classifications.
39. "Staffing Company Performance Metrics" means the performance metrics for a Staffing Company attached as Attachment 1 to this Agreement. "Supervisor" means the individual representing Staffing Company as the employment manager of the Temporary Worker or the

Customer as the Customer Representative responsible for directing the work of the Temporary Worker.

40. "Temporary Workers" means the individuals employed by Staffing Companies and assigned to provide services to the Customer. These individuals may also be referred to as Temporary Contract Staff Workers, Temporary Staff, Contractors, or Contingent Labor.
41. "Worker Expenses" means actual, out-of-pocket, reasonable expenses incurred by a Temporary Worker during the course of his or her assignment to the Customer.

Attachment 2

Temporary Worker Agreement Format for use with applicable Statement of Work

TEMPORARY WORKER AGREEMENT OVERVIEW

The purpose of this overview is to explain the main points of the Temporary Worker Agreement. If you have additional questions, please contact your Staffing Company or a Guidant Group representative.

Section 1 – Temporary Worker

In Section 1, the Temporary Worker understands and agrees that they may or may not be assigned to work at Sample client and that, if assigned, they will, to the best of their ability, perform quality work. In addition it clarifies that the "Temporary Worker Agreement" does not form a binding employment agreement between the Temporary Worker and SAMPLE CLIENT or Guidant Group, but is only between the Temporary Worker and his or her employer (Staffing Company).

Section I also clarifies the Employee/Employer relationship between the Temporary Worker and his or her Staffing Company in regards to all forms of payment including but not limited to payment of time, reimbursement of expenses, benefits and employment taxes.

Section 2 – Customer Work Policies and Rules

In Section 2, the Temporary Worker agrees to abide by the worksite policies and any codes of conduct presented to them and acknowledges responsibility for damage to Customer's equipment, property or business operations. In addition, the Temporary Worker agrees to be responsible for his or her own safety while on assignment with Customer.

Section 3 - Confidentiality and Non-Disclosure

In general, this section defines what is considered confidential and what is not considered confidential. It also gains the temporary worker's agreement to maintain confidentiality in regards to the customer's materials and agreement not to disclose confidential information.

Section 4 - Injunctive Relief

If a situation arises, whereby Guidant Group learns of the disclosure or threatened disclosure of confidential information, this statement enables Guidant Group to request a court injunction requiring the temporary worker to stop disclosing confidential information.

Section 5 – Work Product

This section establishes that work produced or developed while on assignment will remain the customer's property with the exception of excluded inventions.

Section 6 through Section 12 – Agreement Terms

Standard contractual terms are outlined in these sections.

Management Services Agreement effective June 29, 2007

TEMPORARY WORKER AGREEMENT

This Temporary Worker Agreement (the "Agreement") is made this _____ day of _____, 200 by and among _____, an individual ("Temporary Worker") and _____ a _____ _____, Temporary Worker's employer ("Employer").

WHEREAS, Employer has contracted with Guidant Group, Inc., a Delaware corporation ("Guidant Grou for Employer to provide certain services, including work performed on a temporary basis by Temporary Worke Guidant Group's Customer, Duke Energy Shared Services, Inc. and its corporate parents, affiliates, and subsidia (the "Customer"); and

WHEREAS, Guidant Group has contracted with the Customer for Guidant Group to provide certain services related to Customer's temporary workforce under a program managed by Guidant Group (the "Program"); and

WHEREAS, Temporary Worker may be assigned by Employer, at Guidant Group's direction, to work for Customer on a temporary basis,

NOW, THEREFORE, for good and valuable consideration, the parties agree as follows:

1. Temporary Worker

1.1. Temporary Worker may, in Guidant Group's sole discretion, be engaged to provide services to Customer through the Program as an employee of Employer and not as an employee of Customer. Temporary Worker shall perform all services or work under the Program to the satisfaction of Customer.

1.2. Temporary Worker acknowledges and agrees that no employment relationship between Temporary Worker and Customer or between Temporary Worker and Guidant Group is created by this Agreement, the agreement between Guidant Group and Customer, or by Employer's agreement with Guidant Group. Temporary Worker acknowledges and agrees that he or she is not a third party beneficiary of the agreement between Guidant Group and Customer and hereby waives any such rights which may arise under such agreement between Guidant Group and Customer.

1.3. Temporary Worker acknowledges and agrees that Employer shall be solely responsible for all payments to Temporary Worker including payment of compensation, premium payments for overtime, bonuses, and other incentive payments, if any, and payments for vacation, holiday, sick days or other personal days, if any. Temporary Worker acknowledges and agrees that Temporary Worker is not eligible to participate in or receive any benefits under the terms of either Guidant Group's or Customer's pension plans, savings plans, health plans, vision plans, disability plans, life insurance plans, stock option plans, or any other employee benefit plan sponsored by Guidant Group or by Customer.

1.4. Temporary Worker acknowledges and agrees that the cash payments and benefits which Temporary Worker receives from Employer shall represent the sole compensation to which Temporary Worker is entitled, and that Employer will be solely responsible for all matters relating to compliance with all employer tax obligations arising from the performance of

services in connection with this Agreement. These tax obligations include the obligation to withhold employee taxes under local, state and federal income tax laws, unemployment compensation insurance tax laws, state disability insurance tax laws, social security and Medicare tax laws, and all other payroll tax or similar laws, and in no event shall either Guidant Group or Customer be liable for any such obligations.

1.5. Temporary Worker acknowledges and agrees that Customer and Guidant Group shall have no liability of any kind to the Temporary Worker related to payment for the time worked, if any, for Customer pursuant to this Agreement, the agreement between Employer and Guidant Group, or the agreement between Customer and Guidant Group. Temporary Worker hereby waives any claim he or she may have against Customer or Guidant Group related to such payment.

2. Customer Work Policies and Rules.

2.1. Temporary Worker acknowledges and agrees that during the performance of Temporary Worker's job duties for Customer, Temporary Worker will not violate any of Customer's work rules and policies, including those specified in any code of conduct of Customer or other Customer workplace, and the Customer's Privacy Policy and Personal Data Policy. Temporary Worker shall at all times comply with all rules, policies and procedures of Guidant Group and/or Customer as provided to Temporary Worker by Employer, Guidant Group and/or Customer. Temporary Worker agrees that Temporary Worker shall not harm Customer's equipment, property or inventory (other than ordinary wear and tear), and shall not interfere with Customer's business operations.

2.2. Temporary Worker agrees that he or she enters onto Customer's premises at his or her own risk and, to the fullest extent possible under applicable laws, waives any claims he or she may have now or in the future against Customer or Guidant Group for personal injury or property damage arising out of or connected in any way with Temporary Worker's presence on Customer's premises or his or her assignment to Customer.

3. Confidentiality and Non-Disclosure.

3.1. For purposes of this Section, "Confidential Information" shall include all business or technical information, including proprietary information about costs, customers, pricing, profits, markets, sales, lists of customers, employees, potential customers, potential employees, methods of doing business, plans for future development, information regarding matters of a technical nature, such as scientific, trade and engineering secrets, all "know-how", formulas, designs, secret processes, machines, inventions, computer programs (including documentation of such programs) and research projects, information obtained by examination of any product, design, production equipment or drawings thereof and any other information of a similar nature that is marked "Confidential" or that the Temporary Worker knows or has reason to know is the confidential or proprietary information of Customer or Guidant Group, as the case may be. Notwithstanding the forgoing, Confidential Information shall not include any information that:

3.1.1. is hereafter lawfully disclosed to the Temporary Worker under conditions which do not restrict further disclosure or by a third party which did not acquire the Confidential

Information under an obligation of confidentiality to Customer or Guidant Group, as the case may be;

3.1.2. properly came into the Temporary Worker's possession from a third party which is not under any obligation to maintain the confidentiality of such Confidential Information; or

3.1.3. has become part of the public domain through no act or fault of the part of the Temporary Worker.

3.2. Confidentiality. The Temporary Worker agrees that he or she will:

3.2.1. Maintain in strict confidence all Confidential Information of Customer or Guidant Group, as the case may be;

3.2.2. Use or reproduce the Confidential Information solely as necessary for purposes of performing and providing services as an independent contractor to Customer;

3.2.3. Not make copies of any Confidential Customer Information without Customer's consent;

3.2.4. Not remove any copyright notices, trademark notices, or other proprietary legends or indications of confidentiality set forth on or contained in any of the Confidential Information;

3.2.5. Not use or disclose any Confidential Customer Information to any third party without Customer's consent;

3.2.6. Upon termination of this Agreement, deliver to Customer all papers, notes or other materials in Temporary Workers possession that may contain any Confidential Customer Information;

3.2.7. Immediately notify Guidant Group or Customer, as the case may be, in writing of any known unauthorized use or disclosure of the Confidential Information, providing a detailed description of the circumstances of the disclosure and the parties involved.

3.3. Cooperation in the Event of Legally Required Disclosures. The Temporary Worker may disclose Confidential Information as required to satisfy any legal requirement of a competent government body (or quasi-governmental body such as the Ohio Consumers' Counsel), provided that, promptly upon receiving any such request, the Temporary Worker, to the extent he or she may legally do so, gives notice to the Customer of the Confidential Information to be disclosed and the identity of the third party requiring such disclosure prior to the making such disclosure in order that the Customer may interpose an objection to such disclosure, take action to assure confidential handling of the Confidential Information, or take such *other* action as it deems appropriate to protect the Confidential Information. The Temporary Worker shall use reasonable efforts to cooperate with the Customer in its efforts to seek a protective order or other appropriate remedy or, in the event such protective order or other remedy is not

obtained, to obtain assurance that confidential treatment will be accorded such Confidential Information.

4. Injunctive Relief. Temporary Worker acknowledges that it is likely to be difficult to value the damages sustained by Guidant Group or Customer, as the case may be, due to any breach of Section 3 herein and that such damages are likely to be substantial or irreparable and the damaged party's remedy at law would be inadequate. Therefore, in the event of a breach or anticipated breach of Section 3 herein, in addition to any other relief, Guidant Group or Customer, as the case may be, shall be entitled to temporary and permanent injunctive relief without the necessity of proving actual damages.

5. Work Product. Temporary Worker acknowledges and agrees that during and incident to Temporary Worker's work for Customer, Temporary Worker may create inventions, discoveries, improvements, computer or other apparatus programs, and related documentation and other works of authorship (collectively, the "Work Product"), whether or not patentable, copyrightable, or subject to other forms of legal protection. Temporary Worker agrees that Customer shall own exclusively all Work Product agrees to assign to and hereby does assign to Customer all of Temporary Worker's worldwide rights, title and interest in and to all Work Product (all programs, derivative works, source code, object code, discoveries, concepts, inventions, innovations, improvements, materials, documentation, techniques, methods, processes and ideas which are conceived, made, proposed or developed and all present and future rights of any kind pertaining to all such Work Product whether or not such rights are now known, recognized or contemplated, together with any related goodwill) the Temporary Worker makes, creates or develops, either solely or jointly with others, during Temporary Worker's assignment to Customer whether or not prepared on or off Customer's premises or during regular work hours, but excluding any Excluded Inventions (as defined herein). Temporary Worker agrees that the above assignment is binding upon Temporary Worker's estate, administrators, or other legal representatives or assigns.

   5.1. Excluded Inventions. Except for Excluded Inventions, Temporary Worker shall not be required to assign to Customer any idea, invention, discovery, innovation or improvement which Temporary Worker developed entirely on his or her own time and without the use of any of Customer's equipment, supplies, facility or Confidential Information (as defined above), and which (i) does not relate to Customer's business or to Customer's actual or anticipated research or development, and (ii) does not result from any work performed by Temporary Worker specifically for Customer (the "Excluded Inventions"). In any dispute with respect to these exclusions, the burden of proof shall be on Temporary Worker to show that the exclusion applies.

   5.2. Work Made for Hire Any and all Work Product prepared by Temporary Worker for Customer that is eligible for copyright protection shall be a work made for hire on behalf of Customer as that term is used under the United States Copyright Act and ownership of all copyrights in such work shall vest in Customer. If for any reason, any such work shall not be deemed a work made for hire or ownership of such copyrights would not vest in Customer, then Temporary Worker shall transfer all right, title and interest in such work, including all copyrights therein to Customer. In those jurisdictions that deem any work performed on a "Work Made for Hire" basis as giving rise to an employee/employer relationship, the parties specifically agree that this provision shall not apply in such jurisdiction and that Temporary Worker shall continue to be deemed an independent contractor of Customer.

6. Term This Agreement shall be effective as of the date first written above, and shall remain in effect notwithstanding Temporary Worker's termination of employment with Employer or termination of Temporary Worker's assignment to Customer.

7. Severability In the event that any provision of this Agreement is held to be invalid or unenforceable, then such invalid or enforceable provisions shall be severed, and the remaining provisions shall remain in full force and effect to the fullest extent permitted by law.

8. Waiver This Agreement may be amended, or its requirements waived, only by a writing signed by the party against whom enforcement of the waiver or amendment is sought.

9. Governing Law; Jurisdiction This agreement shall be governed by the law of the State of Delaware. Any litigation under this Agreement shall be filed and pursued in a court of proper venue in the State of Delaware. All parties expressly consent to the jurisdiction of such courts.

10. Assignment Neither party's rights or obligations under this Agreement can be assigned without the express prior written consent of (i) the other party hereto, and (ii) Guidant Group. Any attempted or purported assignment of this Agreement without such consent shall be void.

11. No Inducements Temporary Worker warrants and represents that he or she has neither provided nor offered to provide any gifts, payments, or other inducements to any officer, employee or agent of Guidant Group or Customer for any purpose. Temporary Worker shall not provide or offer any gifts, payments, or other inducements to any officer, employee or agent of Guidant Group or Customer for any purpose.

12. Entire Agreement. This Agreement constitutes the entire Agreement and understanding between the parties with respect to the subject matter hereof, and this Agreement supersedes all prior and contemporaneous negotiations, discussions and understanding of the parties with respect to the subject matter hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Temporary Worker Agreement as of the date first written above.

Employer:_____

By: _____

Name: _____

Title: _____

Temporary Worker: _____

Name: _____

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Close Window

▸ **Order Details**

Order detail information. Click link above to edit order information.

Order#	192885	**Date Created**	08/13/2014 10:08 AM
Status	**Filled**		
Crew			
Hiring Process	No review: select, assign/hire		
# Positions	1	**Start Date**	Mon, 25-Aug-14
Positions Filled	1	**End Date**	Wed, 25-Feb-15
Client	**Duke Energy**		
Country	USA		
Client Division	Duke Energy		
Client Department			
Building	299 First Ave N - St Pete		
Job Title	**Java Application Designer/Developer**		
Job Code			
Free Form Title			
Job Type	Temporary	**Full / Part time**	Full Time
Shift	(No Shift)		
Start Time	8:00 AM	**Requires OT**	☐
End Time	5:00 PM	**Hours / Week**	40.00
Description	***Java Application Designer/Developer***St Pete***Duke Energy is looking for an experienced Java Application Designer to work on the Best Rate New Rate Project. The Designer will be expected to interact with the customer and IT&T organizations during the conduct of these activities. The Designer will be required to comply with IT&T standards for software development and documentation. Use of these standards will require working with multiple project and corporate IT&T teams. The Designer must be a motivated self-starter who is willing and able to negotiate various team structures to successfully complete the development activities. Position Duties: • Primary duty: Create high level and detailed Java application designs utilizing Enterprise Architect • Develop Java web-based applications from detailed design specifications • Test the developed/assigned software to ensure all functional and technical requirements are met. • Assist with deployment of the developed/enhanced software into the production environment. • Ensure project deliverables are delivered in a timely, quality, and cost effective manner. Minimum Qualifications: • Minimum of 5 years development experience • Java designs created with Enterprise Architect • Experience in all phases of the SDLC • Experience in SOA Design patterns and Best Practices Other Preferred Qualifications and Experience: • Java Servlet, JSP, JavaScript, AJAX, JQUERY • Strong SQL Skills • Experience with webMethods development • Experience in Web Services Patterns and Best Practices • Understanding of Object Oriented Programming principles • Experience with XML and ETL development • Experience with SOAP UI • Experience with Test Driven development • Demonstrated strong teamwork, interpersonal and (English) communication skills. • Demonstrated strong analytical and problem solving skills.		
Dress Code			
File Attached			
Order Comments	This position is considered EXEMPT Requested prior CW-[redacted]		
Rate Type	Hourly	**Po**	
Pay Rate			
Charge Rate		**Est. Spend**	
Bill Rate			
Order Owner	[redacted]		
Supervisor			
Client Contact			
Approver # 1			
Approver # 2			
Approver # 3			

▸ **Order Notes**

Notes made for this order.

No records found.

▶ **Cost Codes**

Cost Codes, PO#, System#, and client custom fields.

	Cost Code	Display	Date Updated
1	TBD	☑	08/13/2014

▶ **Requested Candidates**

Candidates who were requested to fulfill order.

No records found.

▶ **Skills**

Rank is used to determine relative importance of skill - 1 = Highest and 5 = Lowest.

No records found.

▶ **Personality Fit / Behaviors**

The following soft skills have been requested.

No records found.

▶ **Requirements Card**

Candidate submission requirements for this order.

No records found.

▶ **Expense Types**

Authorised expenses and max amounts for associate expenses.

	Expense Type	Billable	Reimburse	Max Amount	Taxable	Tax Rate
1	Airfare	☑	☑	$0.00	☐	0.0000
2	Business Meal	☑	☑	$0.00	☐	0.0000
3	Lodging	☑	☑	$0.00	☐	0.0000
4	Other	☑	☑	$0.00	☐	0.0000
5	Per Diem	☑	☑	$0.00	☐	0.0000
6	Transportation	☑	☑	$0.00	☐	0.0000

▶ **Staffing Partners**

Staffing Partners who have received this order and their status.

	Edit	Staffing Partner	Status	Date Submitted	# Submitted to Client	# Filled
1	→	[redacted]	Filled	08/13/2014 12:41 PM	0	1

▶ **Assignments**

Click link to view all assignments. Click assignment # to view details.

	#	Associate	Staffing Partner	Division	Start Date	End Date	Release Type	Status
1	234580	[redacted]	[redacted]	San Antonio	09/02/2014	12/31/2015		Enabled

▶ **Candidate Activity**

Candidates submitted for this order.

	Candidate	Staffing Partner	Division	Candidate Status	Prior DNU	Date Updated
1	view/edit	[redacted]	San Antonio	Assignment Created	☐	08/19/2014 3:59 PM

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Order Details

Order detail information. Click link above to edit order information.

Order#	167180	**Date Created**	06/03/2011 10:34 AM
Status	**Filled**		
Crew			
Hiring Process	No review: select, assign/hire		
# Positions	1	**Start Date**	Mon, 13-Jun-11
Positions Filled	1	**End Date**	Thu, 01-Dec-11
Client	**Progress Energy**		
Country	USA		
Client Division	Progress Energy Service Company		
Client Department			
Building	St. Pete/299 First Avenue North		
Job Title	**IT Analyst**		
Job Code			
Free Form Title			
Job Type	Temporary	**Full / Part time**	Full Time
Shift	(No Shift)		
Start Time	9:00 AM	**Requires OT**	☐
End Time	5:00 PM	**Hours / Week**	40.00
Description	Order created to track [redacted] as an IT Analyst. Job Description: Issue resolution and system testing of CSS dialogs in support of the Win7 program		
Dress Code			
File Attached			
Order Comments			
Rate Type	Hourly	**Po**	
Pay Rate	$70.00		
Charge Rate	$82.31	**Est. Spend**	$81,651.52
Bill Rate	$80.85		
Order Owner	[redacted]		
Supervisor			
Client Contact			
Approver # 1			
Approver # 2			
Approver # 3			

Order Notes

Notes made for this order.

No records found.

Cost Codes

Cost Codes, PO#, System#, and client custom fields.

No records found.

Requested Candidates

Candidates who were requested to fulfill order.

No records found.

Skills

Rank is used to determine relative importance of skill - 1 = Highest and 5 = Lowest.

No records found.

Personality Fit / Behaviors

The following soft skills have been requested.

No records found.

Requirements Card

Candidate submission requirements for this order.

No records found.

Expense Types

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Authorised expenses and max amounts for associate expenses.

	Expense Type	Billable	Reimburse	Max Amount	Taxable	Tax Rate
1	Background Check	☑	☑	[redacted]	☐	0.0000
2	Business Meal	☑	☑	[redacted]	☐	0.0000
3	Drug Screen	☑	☑	[redacted]	☐	0.0000
4	Mileage	☑	☑	[redacted]	☐	0.0000
5	Other	☑	☑	[redacted]	☐	0.0000

▸ **Staffing Partners**

Staffing Partners who have received this order and their status.

	Edit	Staffing Partner	Status	Date Submitted	# Submitted to Client	# Filled
1	→	[redacted]	Filled	06/03/2011 10:38 AM	0	1

▸ **Assignments**

Click link to view all assignments. Click assignment # to view details.

	#	Associate	Staffing Partner	Division	Start Date	End Date	Release Type	Status
1	193784	[redacted]	[redacted]	Boca Raton	06/13/2011	12/22/2013	Assignment Completed	Completed

▸ **Candidate Activity**

Candidates submitted for this order.

		Candidate	Staffing Partner	Division	Candidate Status	Prior DNU	Date Updated
1	view/edit	[redacted]	[redacted]	Boca Raton	Assignment Created	☐	06/03/2011 10:38 AM

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▶ **Order Details**

Order detail information. Click link above to edit order information.

Order#	195782	**Date Created**	04/07/2015 3:44 PM
Status	**Filled**		
Crew			
Hiring Process	No review: select, assign/hire		
# Positions	2	**Start Date**	Mon, 27-Apr-15
Positions Filled	2	**End Date**	Sat, 30-Apr-16
Client	**Duke Energy**		
Country	USA		
Client Division	Duke Energy		
Client Department			
Building	299 First Ave N - St Pete		
Job Title	**Sr. IT Applications Analyst**		
Job Code			
Free Form Title			
Job Type	Temporary	**Full / Part time**	Full Time
Shift	(No Shift)		
Start Time	9:00 AM	**Requires OT**	☐
End Time	5:00 PM	**Hours / Week**	40.00
Description	Analysis and documentation of business requirements - Project Estimation - Software program design and development - Development of design and process documentation - Development and execution of test plans, scripts, and procedures Basic Qualifications: - Bachelor's degree in computer science, engineering, or related technical field - Minimum of five years' experience (in application support and development) - Experience in COBOL/DB2/CICS development - Ability to write and modify SQL statements - Thorough knowledge of application development life-cycle, including programming experience - Experience in supporting end users with use of technology and applications - Experience in troubleshooting IT application problems - Strong oral and written communication skills - Strong team player that works well with others - Ability to meet project deadlines - Ability to work independently on tasks/projects with limited management oversight		
Dress Code			
File Attached			
Order Comments	This position is considered EXEMPT. Max bill rate is $70.00. GG Contact - [redacted] [redacted] ********** Review the two following questions. If either, or both, of the questions apply to any candidate you are submitting, please provide the answer to the question(s) in that candidate's submittal notes when they are being submitted to every order. These two questions must be considered for each candidate submitted. 1. If you have had any responsibility for or participation in judicial, administrative, regulatory or other oversight proceedings involving Duke Energy or any of its affiliates, please identify the agency or department, the dates of your employment, and the nature of your responsibilities, including a list of any proceedings involving Duke Energy or any of its affiliates. NOTE: Only answer this question if you have worked with the government or other agency involved with Duke Energy oversight. 2. If you are subject to any restrictions or limitations to becoming employed by Duke Energy, as a result of your current or previous employment with a governmental agency or department, please describe those restrictions (e.g. cooling off period or "revolving door" restrictions). NOTE: Only answer this question if you have worked with the government or other agency involved with Duke Energy oversight.		
Rate Type	Hourly	**Po**	
Pay Rate			
Charge Rate		**Est. Spend**	
Bill Rate			
Order Owner	[redacted]		
Supervisor	[redacted]		
Client Contact	[redacted]		

Approver # 1 [redacted]

Approver # 2

Approver # 3

▶ **Order Notes**

Notes made for this order.

No records found.

▶ **Cost Codes**

Cost Codes, PO#, System#, and client custom fields.

	Cost Code	Display	Date Updated
1	TBD	☑	04/07/2015

▶ **Requested Candidates**

Candidates who were requested to fulfill order.

No records found.

▶ **Skills**

Rank is used to determine relative importance of skill - 1 = Highest and 5 = Lowest.

No records found.

▶ **Personality Fit / Behaviors**

The following soft skills have been requested.

No records found.

▶ **Requirements Card**

Candidate submission requirements for this order.

No records found.

▶ **Expense Types**

Authorised expenses and max amounts for associate expenses.

	Expense Type	Billable	Reimburse	Max Amount	Taxable	Tax Rate
1	Airfare	☑	☑	$0.00	☐	0.0000
2	Business Meal	☑	☑	$0.00	☐	0.0000
3	Lodging	☑	☑	$0.00	☐	0.0000
4	Other	☑	☑	$0.00	☐	0.0000
5	Per Diem	☑	☑	$0.00	☐	0.0000
6	Transportation	☑	☑	$0.00	☐	0.0000

▶ **Staffing Partners**

Staffing Partners who have received this order and their status.

	Edit	Staffing Partner	Status	Date Submitted	# Submitted to Client	# Filled
1	→	[redacted]	Filled	04/08/2015 9:27 AM	6	2
2	→		Closed	04/08/2015 9:27 AM	2	0
3	→		Closed	04/08/2015 9:27 AM	2	0
4	→		Closed	04/08/2015 9:27 AM	0	0
5	→		Closed	04/08/2015 9:27 AM	0	0
6	→		Closed	04/08/2015 9:27 AM	1	0
7	→		Closed	04/08/2015 9:27 AM	0	0
8	→		Closed	04/08/2015 9:27 AM	3	0
9	→		Closed	04/08/2015 9:27 AM	4	0
10	→		Closed	04/08/2015 9:27 AM	0	0
11	→		Closed	04/08/2015 9:27 AM	2	0

12	[redacted]	Closed	04/08/2015 9:27 AM	1	0
13		Closed	04/08/2015 9:27 AM	2	0
14		Closed	04/08/2015 9:27 AM	0	0
15		Closed	04/08/2015 9:27 AM	0	0

Assignments

Click link to view all assignments. Click assignment # to view details.

	#	Associate	Staffing Partner	Division	Start Date	End Date	Release Type	Status
1	238625	[redacted]	[redacted]	Charlotte	07/20/2015	07/20/2016		Enabled
2	237896			Charlotte	04/27/2015	04/30/2016		Enabled

Candidate Activity

Candidates submitted for this order.

		Candidate	Staffing Partner	Division	Candidate Status	Prior DNU	Date Updated
1	view/edit	[redacted]	[redacted]	Charlotte	Candidate Unsuccessful	☐	07/06/2015 10:02 AM
2	view/edit			Charlotte	Candidate Rejected by Client	☐	04/13/2015 3:55 PM
3	view/edit			High Point	Candidate Rejected by Client	☐	04/13/2015 4:02 PM
4	view/edit			Charlotte	Candidate Rejected by Client	☐	04/10/2015 10:34 AM
5	view/edit			Tampa	Candidate Unsuccessful	☐	07/06/2015 10:02 AM
6	view/edit			Charlotte	Candidate Unsuccessful	☐	07/06/2015 10:02 AM
7	view/edit			Virginia	Candidate Unsuccessful	☐	07/06/2015 10:02 AM
8	view/edit			Charlotte	Candidate Unsuccessful	☐	07/06/2015 10:02 AM
9	view/edit			Virginia	Candidate Unsuccessful	☐	07/06/2015 10:02 AM
10	view/edit			Tampa	Candidate Unsuccessful	☐	07/06/2015 10:02 AM
11	view/edit			Tampa	Candidate Unsuccessful	☐	07/06/2015 10:02 AM
12	view/edit			Cincinnati	Candidate Unsuccessful	☐	07/06/2015 10:02 AM
13	view/edit			High Point	Candidate Rejected by Client	☐	04/10/2015 10:49 AM
14	view/edit			Charlotte	Candidate Unsuccessful	☐	07/06/2015 10:02 AM
15	view/edit			Lake Mary - FL	Candidate Unsuccessful	☐	07/06/2015 10:02 AM
16	view/edit			Lake Mary - FL	Candidate Unsuccessful	☐	07/06/2015 10:02 AM
17	view/edit			Charlotte	Candidate Unsuccessful	☐	07/06/2015 10:02 AM
18	view/edit			High Point			07/06/2015 10:02 AM

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					Candidate Unsuccessful	☐	
19	view/edit			Connecticut	Candidate Unsuccessful	☐	07/06/2015 10:02 AM
20	view/edit			Charlotte	Candidate Withdrawn	☐	05/05/2015 4:07 PM
21	view/edit			Charlotte	Candidate Unsuccessful	☐	07/06/2015 10:02 AM
22	view/edit			Charlotte	Assignment Created	☐	07/06/2015 10:02 AM
23	view/edit			Connecticut	Candidate Unsuccessful	☐	07/06/2015 10:02 AM
24	view/edit			Charlotte	Candidate Rejected by OM	☐	04/10/2015 1:29 PM
25	view/edit			Tampa	Candidate Unsuccessful	☐	07/06/2015 10:02 AM
26	view/edit			Charlotte	Candidate Unsuccessful	☐	07/06/2015 10:02 AM
27	view/edit			Charlotte	Candidate Unsuccessful	☐	07/06/2015 10:02 AM
28	view/edit			Cincinnati	Candidate Unsuccessful	☐	07/06/2015 10:02 AM
29	view/edit			Charlotte	Candidate Unsuccessful	☐	07/06/2015 10:02 AM
30	view/edit			Charlotte	Candidate Unsuccessful	☐	07/06/2015 10:02 AM
31	view/edit			Charlotte	Candidate Unsuccessful	☐	07/06/2015 10:02 AM
32	view/edit			Charlotte	Candidate Unsuccessful	☐	07/06/2015 10:02 AM
33	view/edit			Charlotte	Candidate Unsuccessful	☐	07/06/2015 10:02 AM
34	view/edit			Charlotte	Candidate Unsuccessful	☐	07/06/2015 10:02 AM
35	view/edit			Charlotte	Assignment Created	☐	05/06/2015 1:37 PM
36	view/edit			Charlotte	Candidate Unsuccessful	☐	07/06/2015 10:02 AM
37	view/edit			Cincinnati	Candidate Unsuccessful	☐	07/06/2015 10:02 AM
38	view/edit			High Point	Candidate Rejected by OM	☐	04/08/2015 4:54 PM
39	view/edit			Cincinnati	Candidate Unsuccessful	☐	07/06/2015 10:02 AM
40	view/edit			Charlotte	Candidate Unsuccessful	☐	07/06/2015 10:02 AM
41	view/edit			Charlotte	Candidate Rejected by Client	☐	04/27/2015 8:58 AM
42	view/edit			Charlotte	Candidate Unsuccessful	☐	07/06/2015 10:02 AM
43	view/edit			Lake Mary - FL	Candidate Unsuccessful	☐	07/06/2015 10:02 AM
44	view/edit			Charlotte	Candidate Unsuccessful	☐	07/06/2015 10:02 AM

DEF Customers by Rate Class

	RS/RLM	LTG	SS1	SS2	SS3	IS	GS	GS2	GSD	CS	Total
2015	1,519,332	13,256	9	4	1	124	117,053	13,333	55,657	3	1,718,773
2016	1,542,341	13,382	9	4	1	123	118,674	13,506	56,408	3	1,744,450
2017	1,565,960	13,509	9	4	1	123	120,335	13,681	57,179	3	1,770,802
2018	1,589,859	13,635	10	4	1	123	122,010	13,856	57,960	3	1,797,461
2019	1,613,767	13,760	10	3	1	122	123,683	14,030	58,743	3	1,824,121
2020	1,637,422	13,882	10	3	1	122	125,334	14,201	59,515	3	1,850,491
2021	1,660,624	14,000	10	3	1	121	126,950	14,368	60,271	3	1,876,350
2022	1,683,329	14,114	10	3	1	121	128,527	14,530	61,011	3	1,901,649
2023	1,705,557	14,226	10	3	1	121	130,068	14,688	61,734	3	1,926,412
2024	1,727,337	14,335	10	3	1	121	131,575	14,843	62,443	3	1,950,670
2025	1,748,699	14,440	10	3	1	120	133,053	14,993	63,138	3	1,974,460
2026	1,769,666	14,544	10	3	1	121	134,499	15,141	63,819	3	1,997,807
2027	1,790,237	14,645	10	3	1	121	135,917	15,285	64,487	3	2,020,709
2028	1,810,401	14,743	10	3	1	120	137,306	15,426	65,142	3	2,043,157
2029	1,830,146	14,840	10	3	1	121	138,665	15,564	65,783	3	2,065,137
2030	1,849,463	14,933	9	3	1	121	139,993	15,699	66,411	3	2,086,637

DEF KWH Energy Use Per Customer by Rate Class

	RS/RLM	LTG	SS1	SS2	SS3	IS	GS	GS2	GSD	CS	Total
2015	12,763	29,348	1,477,000	21,029,500	1,013,000	15,869,980	10,871	11,078	260,117	11,698,000	21,984
2016	12,865	29,473	1,492,556	21,003,500	1,012,000	15,976,173	10,960	11,188	261,571	11,719,333	22,098
2017	12,750	29,276	1,441,179	20,937,250	1,008,000	16,185,936	10,859	11,099	259,052	11,682,333	21,883
2018	12,739	29,172	1,348,100	20,821,000	1,004,000	15,783,171	10,805	11,060	257,452	11,616,000	21,761
2019	12,605	28,926	1,344,700	26,792,108	996,000	15,842,197	10,667	10,934	254,090	11,496,000	21,491
2020	12,751	29,042	1,352,900	27,254,667	984,000	15,871,934	10,736	11,027	254,984	11,373,667	21,625
2021	12,521	28,699	1,343,200	26,924,667	972,000	15,769,264	10,536	10,834	250,326	11,188,000	21,218
2022	12,598	28,694	1,345,800	26,606,667	962,000	16,428,990	10,532	10,849	249,708	11,032,667	21,285
2023	12,696	28,704	1,348,600	26,295,000	949,000	17,963,372	10,538	10,875	249,314	10,878,000	21,430
2024	12,624	28,519	1,344,200	25,985,000	939,000	18,676,588	10,438	10,785	246,720	10,706,667	21,292
2025	12,577	28,376	1,341,300	25,680,000	927,000	18,644,725	10,360	10,720	244,622	10,540,667	21,144
2026	12,712	28,437	1,346,100	25,383,667	917,000	18,409,931	10,404	10,785	245,033	10,390,333	21,250
2027	12,720	28,370	1,345,800	25,090,000	908,000	18,221,587	10,370	10,764	243,858	10,237,667	21,186
2028	12,928	28,545	1,355,300	24,807,000	896,000	18,240,924	10,477	10,895	245,596	10,103,000	21,409
2029	12,849	28,382	1,351,300	24,521,667	885,000	17,987,661	10,391	10,819	243,401	9,945,333	21,233
2030	12,750	28,185	1,440,964	24,240,333	874,000	17,798,567	10,273	10,707	240,578	9,794,333	21,018

DEF Billed MWH by Rate Class

	RS/RLM	LTG	SS1	SS2	SS3	IS	GS	GS2	GSD	CS	Total
2015	19,390,958	389,030	13,293	84,118	1,013	1,974,490	1,272,444	147,708	14,477,440	35,094	37,785,588
2016	19,842,849	394,392	13,433	84,014	1,012	1,971,726	1,300,658	151,107	14,754,546	35,158	38,548,895
2017	19,966,704	395,470	13,451	83,749	1,008	1,984,126	1,306,721	151,846	14,812,354	35,047	38,750,476
2018	20,253,993	397,756	13,481	83,284	1,004	1,936,069	1,318,281	153,253	14,922,024	34,848	39,113,993
2019	20,340,812	398,015	13,447	82,609	996	1,932,748	1,319,328	153,400	14,925,941	34,488	39,201,784
2020	20,878,166	403,148	13,529	81,764	984	1,928,440	1,345,622	156,599	15,175,222	34,121	40,017,595
2021	20,792,361	401,779	13,432	80,774	972	1,908,081	1,337,583	155,663	15,087,294	33,564	39,811,503
2022	21,206,844	404,999	13,458	79,820	962	1,990,646	1,353,674	157,639	15,234,867	33,098	40,476,007
2023	21,654,079	408,350	13,486	78,885	949	2,173,568	1,370,715	159,725	15,391,223	32,634	41,283,614
2024	21,805,540	408,812	13,442	77,955	939	2,255,198	1,373,366	160,082	15,405,958	32,120	41,533,412
2025	21,993,017	409,756	13,413	77,040	927	2,237,367	1,378,429	160,726	15,444,805	31,622	41,747,102
2026	22,495,735	413,583	13,461	76,151	917	2,221,465	1,399,393	163,289	15,637,668	31,171	42,452,833
2027	22,771,028	415,473	13,458	75,270	908	2,204,812	1,409,439	164,533	15,725,671	30,713	42,811,305
2028	23,405,321	420,849	13,553	74,421	896	2,190,431	1,438,532	168,078	15,998,693	30,309	43,741,083
2029	23,516,431	421,196	13,513	73,565	885	2,173,509	1,440,922	168,398	16,011,746	29,836	43,850,001
2030	23,580,141	420,903	13,449	72,721	874	2,156,593	1,438,129	168,090	15,977,132	29,383	43,857,415

CHAPTER 2

FORECAST OF ELECTRIC POWER DEMAND AND ENERGY CONSUMPTION

CHAPTER 2
FORECAST OF ELECTRIC POWER DEMAND
AND
ENERGY CONSUMPTION

OVERVIEW

The information presented in Schedules 2, 3, and 4 represents DEF's history and forecast of customers, energy sales (GWh), and peak demand (MW). DEF's customer growth is expected to average 1.1 percent between 2015 and 2024, which is more than the ten-year historical average of 0.7 percent. County population growth rate projections from the University of Florida's Bureau of Economic and Business Research (BEBR) were incorporated into this projection. The severe financial crisis witnessed both nationwide and in Florida since 2007 has dampened the DEF historical ten-year growth rate significantly as total customer growth turned negative for a twenty-one month period during 2008, 2009 and 2010. Economic conditions going forward look more amenable to improved customer growth due to low mortgage rates, higher household formations and a large retiring baby-boomer population.

Net energy for load (NEL) dropped by an average 1.5 percent per year between 2005 and 2014 due primarily to the economic recession and the weak economic recovery that followed. Sales for Resale in 2014 were only 26% of their 2005 level. An improved economic environment (including improved migration population rates, construction activity, wage growth and consumer spending) is expected to drive the DEF service area forecast. The 2015 to 2024 period is expected to improve NEL by an average growth rate of 1.5 percent per year matching the rate of customer growth. Going forward, projected NEL growth continues to reflect the FPSC approved DSM energy savings targets.

Summer net firm demand declined an average 0.7 percent per year during the last ten years, mostly driven by lower wholesale load that was only 33% below the average of the previous nine summers. The projected ten year period summer net firm demand growth rate of 1.6 percent is primarily driven by higher population improving net firm retail demand and significantly less drag from the wholesale sector.

ENERGY CONSUMPTION AND DEMAND FORECAST SCHEDULES

The below schedules have been provided:

SCHEDULE	DESCRIPTION
2.1, 2.2 and 2.3	History and Forecast of Energy Consumption and Number of Customers by Customer Class
3.1	History and Forecast of Base Summer Peak Demand (MW)
3.2	History and Forecast of Base Winter Peak Demand (MW)
3.3	History and Forecast of Base Annual Net Energy for Load (GWh)
4	Previous Year Actual and Two-Year Forecast of Peak Demand and Net Energy for Load by Month

DUKE ENERGY FLORIDA

SCHEDULE 2.1
HISTORY AND FORECAST OF ENERGY CONSUMPTION AND
NUMBER OF CUSTOMERS BY CUSTOMER CLASS

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	RURAL AND RESIDENTIAL					COMMERCIAL		
YEAR	DEF POPULATION	MEMBERS PER HOUSEHOLD	GWh	AVERAGE NO. OF CUSTOMERS	AVERAGE KWh CONSUMPTION PER CUSTOMER	GWh	AVERAGE NO. OF CUSTOMERS	AVERAGE KWh CONSUMPTION PER CUSTOMER
2005	3,427,860	2.454	19,894	1,397,012	14,240	11,945	161,001	74,190
2006	3,505,058	2.448	20,021	1,431,743	13,983	11,975	162,774	73,568
2007	3,531,483	2.448	19,912	1,442,853	13,800	12,184	162,837	74,821
2008	3,561,727	2.458	19,328	1,449,041	13,339	12,139	162,569	74,669
2009	3,564,937	2.473	19,399	1,441,325	13,459	11,883	161,390	73,632
2010	3,621,407	2.495	20,524	1,451,466	14,140	11,896	161,674	73,579
2011	3,623,813	2.495	19,238	1,452,454	13,245	11,892	162,071	73,374
2012	3,633,620	2.491	18,251	1,458,690	12,512	11,723	163,297	71,792
2013	3,681,835	2.493	18,508	1,477,164	12,529	11,718	163,671	71,594
2014	3,701,245	2.485	19,003	1,489,502	12,758	11,789	165,899	71,060
2015	3,760,148	2.471	19,388	1,521,581	12,742	11,974	169,462	70,659
2016	3,794,503	2.457	19,521	1,544,672	12,638	12,095	172,049	70,300
2017	3,836,847	2.446	19,898	1,568,777	12,684	12,334	174,744	70,583
2018	3,882,632	2.437	20,068	1,593,408	12,594	12,443	177,495	70,103
2019	3,936,092	2.433	20,254	1,618,125	12,517	12,548	180,253	69,613
2020	3,991,020	2.430	20,489	1,642,516	12,474	12,758	182,973	69,726
2021	4,044,019	2.427	20,717	1,666,272	12,433	12,910	185,622	69,550
2022	4,095,523	2.424	20,950	1,689,354	12,401	13,071	188,195	69,455
2023	4,145,499	2.422	21,210	1,711,831	12,390	13,239	190,700	69,423
2024	4,195,255	2.420	21,453	1,733,788	12,373	13,396	193,146	69,357

DUKE ENERGY FLORIDA

SCHEDULE 2.2
HISTORY AND FORECAST OF ENERGY CONSUMPTION AND
NUMBER OF CUSTOMERS BY CUSTOMER CLASS

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
		INDUSTRIAL					
YEAR	GWh	AVERAGE NO. OF CUSTOMERS	AVERAGE KWh CONSUMPTION PER CUSTOMER	RAILROADS AND RAILWAYS GWh	STREET & HIGHWAY LIGHTING GWh	OTHER SALES TO PUBLIC AUTHORITIES GWh	TOTAL SALES TO ULTIMATE CONSUMERS GWh
2005	4,140	2,703	1,531,632	0	27	3,171	39,176
2006	4,160	2,697	1,542,455	0	27	3,249	39,432
2007	3,819	2,668	1,431,409	0	26	3,341	39,282
2008	3,786	2,587	1,463,471	0	26	3,276	38,555
2009	3,285	2,487	1,320,869	0	26	3,230	37,824
2010	3,219	2,481	1,297,461	0	26	3,260	38,925
2011	3,243	2,408	1,346,761	0	25	3,200	37,598
2012	3,160	2,372	1,332,209	0	25	3,221	36,381
2013	3,206	2,370	1,352,743	0	25	3,159	36,616
2014	3,267	2,328	1,403,351	0	25	3,157	37,240
2015	3,350	2,251	1,488,227	0	24	3,202	37,938
2016	3,355	2,228	1,505,835	0	24	3,214	38,209
2017	3,356	2,208	1,519,928	0	24	3,234	38,846
2018	3,316	2,189	1,514,847	0	24	3,247	39,098
2019	3,416	2,172	1,572,744	0	23	3,255	39,496
2020	3,450	2,157	1,599,444	0	23	3,278	39,998
2021	3,395	2,143	1,584,228	0	23	3,304	40,349
2022	3,340	2,131	1,567,339	0	22	3,335	40,718
2023	3,282	2,120	1,548,113	0	22	3,362	41,115
2024	3,223	2,110	1,527,488	0	22	3,388	41,482

DUKE ENERGY FLORIDA

SCHEDULE 2.3
HISTORY AND FORECAST OF ENERGY CONSUMPTION AND
NUMBER OF CUSTOMERS BY CUSTOMER CLASS

(1)	(2)	(3)	(4)	(5)	(6)
YEAR	SALES FOR RESALE GWh	UTILITY USE & LOSSES GWh	NET ENERGY FOR LOAD GWh	OTHER CUSTOMERS (AVERAGE NO.)	TOTAL NO. OF CUSTOMERS
2005	5,195	2,507	46,878	22,701	1,583,417
2006	4,220	2,389	46,041	23,182	1,620,396
2007	5,598	2,753	47,633	24,010	1,632,368
2008	6,619	2,484	47,658	24,738	1,638,935
2009	3,696	2,604	44,124	24,993	1,630,195
2010	3,493	3,742	46,160	25,212	1,640,833
2011	2,712	2,180	42,490	25,228	1,642,161
2012	1,768	3,065	41,214	25,480	1,649,839
2013	1,488	2,668	40,772	13,548	1,656,753
2014	1,333	2,402	40,975	25,725	1,683,454
2015	955	2,533	41,426	26,121	1,719,415
2016	1,107	2,631	41,947	26,480	1,745,429
2017	1,230	2,289	42,365	26,863	1,772,592
2018	1,234	2,447	42,779	27,261	1,800,353
2019	1,408	2,668	43,572	27,666	1,828,216
2020	1,539	2,532	44,069	28,071	1,855,717
2021	1,529	2,444	44,322	28,471	1,882,508
2022	1,530	2,433	44,681	28,859	1,908,539
2023	1,530	2,435	45,080	29,238	1,933,889
2024	1,534	2,528	45,544	29,607	1,958,651

DUKE ENERGY FLORIDA

SCHEDULE 3.1
HISTORY AND FORECAST OF SUMMER PEAK DEMAND (MW)
BASE CASE

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(OTH)	(10)
YEAR	TOTAL	WHOLESALE	RETAIL	INTERRUPTIBLE	RESIDENTIAL LOAD MANAGEMENT	RESIDENTIAL CONSERVATION	COMM. / IND. LOAD MANAGEMENT	COMM. / IND. CONSERVATION	OTHER DEMAND REDUCTIONS	NET FIRM DEMAND
2005	10,350	1,118	9,232	448	310	203	38	166	110	9,074
2006	10,147	1,257	8,890	329	307	222	37	170	66	9,016
2007	10,931	1,544	9,387	334	291	239	45	177	110	9,735
2008	10,592	1,512	9,080	500	284	255	66	192	110	9,186
2009	10,853	1,618	9,235	262	291	271	84	211	110	9,624
2010	10,242	1,272	8,970	271	304	298	96	234	110	8,929
2011	9,972	934	9,038	227	317	329	97	256	110	8,636
2012	9,788	1080	8,708	262	328	358	98	280	124	8,337
2013	9,581	581	9,000	317	341	382	101	298	124	8,017
2014	10,067	807	9,260	232	355	404	108	313	132	8,523
2015	10,532	812	9,720	247	363	421	113	324	132	8,932
2016	10,619	647	9,972	247	369	436	118	331	132	8,986
2017	10,905	751	10,154	252	375	449	122	338	132	9,237
2018	11,074	752	10,322	242	381	460	126	343	132	9,390
2019	11,528	1,004	10,524	266	387	468	130	348	132	9,797
2020	11,744	1,005	10,739	303	393	480	135	352	132	9,948
2021	11,667	755	10,912	304	399	491	139	355	132	9,847
2022	11,835	755	11,080	304	405	501	143	357	132	9,993
2023	11,996	755	11,241	304	411	510	148	358	132	10,133
2024	12,155	755	11,400	303	417	519	152	359	132	10,273

Historical Values (2005 - 2014):

Col. (2) = recorded peak + implemented load control + residential and commercial/industrial conservation and customer-owned self-service cogeneration.

Cols. (5) - (9) = Represent total cumulative capabilities at peak. Col. (8) includes commercial load management and standby generation.

Col. (OTH) =Customer-owned self-service cogeneration.

Col. (10) = (2) - (5) - (6) - (7) - (8) - (9) - (OTH).

Projected Values (2015 - 2024):

Cols. (2) - (4) = forecasted peak without load control, cumulative conservation, and customer-owned self-service cogeneration.

Cols. (5) - (9) = cumulative conservation and load control capabilities at peak. Col. (8) includes commercial load management and standby generation.

Col. (OTH) = customer-owned self-service cogeneration.

Col. (10) = (2) - (5) - (6) - (7) - (8) - (9) - (OTH).

DUKE ENERGY FLORIDA

SCHEDULE 3.2
HISTORY AND FORECAST OF WINTER PEAK DEMAND (MW)
BASE CASE

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(OTH)	(10)
YEAR	TOTAL	WHOLESALE	RETAIL	INTERRUPTIBLE	RESIDENTIAL LOAD MANAGEMENT	RESIDENTIAL CONSERVATION	COMM. / IND. LOAD MANAGEMENT	COMM. / IND. CONSERVATION	OTHER DEMAND REDUCTIONS	NET FIRM DEMAND
2004/05	10,828	1,600	9,228	575	779	368	26	124	283	8,673
2005/06	10,695	1,467	9,228	298	762	409	26	125	239	8,835
2006/07	9,894	1,576	8,318	304	671	450	26	127	262	8,055
2007/08	10,962	1,828	9,134	234	763	483	34	133	278	9,036
2008/09	12,089	2,229	9,860	268	759	518	71	148	291	10,034
2009/10	13,694	2,189	11,505	246	651	563	80	163	322	11,670
2010/11	11,343	1,625	9,718	271	661	628	94	180	221	9,288
2011/12	9,721	905	8,816	186	643	686	96	203	206	7,701
2012/13	9,109	831	8,278	287	652	747	97	220	213	6,893
2013/14	9,467	646	8,821	257	654	785	101	229	219	7,222
FORECAST:										
2014/15	11,793	1,381	10,411	224	668	820	109	238	247	9,487
2015/16	11,969	1,344	10,625	224	679	856	113	238	249	9,609
2016/17	11,975	1,197	10,778	229	690	890	118	239	251	9,558
2017/18	12,119	1,198	10,921	219	701	919	122	240	252	9,666
2018/19	12,296	1,198	11,098	241	712	943	126	240	254	9,779
2019/20	12,735	1,448	11,287	275	723	972	130	241	256	10,138
2020/21	12,735	1,299	11,436	276	734	999	135	241	257	10,093
2021/22	12,881	1,299	11,582	276	745	1,025	139	241	259	10,196
2022/23	13,024	1,299	11,725	276	756	1,049	143	242	260	10,298
2023/24	13,161	1,299	11,862	275	767	1,072	147	242	262	10,396

Historical Values (2005 - 2014):

Col. (2) = recorded peak + implemented load control + residential and commercial/industrial conservation and customer-owned self-service cogeneration.

Cols. (5) - (9) = Represent total cumulative capabilities at peak. Col. (8) includes commercial load management and standby generation.

Col. (OTH) = Voltage reduction and customer-owned self-service cogeneration.

Col. (10) = (2) - (5) - (6) - (7) - (8) - (9) - (OTH).

Projected Values (2015 - 2024):

Cols. (2) - (4) = forecasted peak without load control, cumulative conservation, and customer-owned self-service cogeneration.

Cols. (5) - (9) = Represent cumulative conservation and load control capabilities at peak. Col. (8) includes commercial load management and standby generation.

Col. (OTH) Voltage reduction and customer-owned self-service cogeneration.

Col. (10) = (2) - (5) - (6) - (7) - (8) - (9) - (OTH).

DUKE ENERGY FLORIDA

SCHEDULE 3.3
HISTORY AND FORECAST OF ANNUAL NET ENERGY FOR LOAD (GWh)
BASE CASE

(1)	(2)	(3)	(4)	(OTH)	(5)	(6)	(7)	(8)	(9)
YEAR	TOTAL	RESIDENTIAL CONSERVATION	COMM. / IND. CONSERVATION	OTHER ENERGY REDUCTIONS*	RETAIL	WHOLESALE	UTILITY USE & LOSSES	NET ENERGY FOR LOAD	LOAD FACTOR (%) **
2005	48,475	455	363	779	39,177	5,195	2,506	46,878	52.3
2006	47,399	484	365	509	39,432	4,220	2,389	46,041	52.1
2007	49,310	511	387	779	39,282	5,598	2,753	47,633	52.3
2008	49,208	543	442	565	38,556	6,619	2,483	47,658	53.1
2009	45,978	583	492	779	37,824	3,696	2,604	44,124	44.5
2010	48,135	638	558	779	38,925	3,493	3,742	46,160	45.3
2011	44,580	687	624	779	37,597	2,712	2,181	42,490	46.7
2012	43,396	733	669	780	36,381	1,768	3,065	41,214	52.0
2013	43,142	772	734	864	36,616	1,488	2,668	40,772	53.0
2014	43,442	812	791	864	37,240	1,333	2,402	40,975	50.7
FORECAST:									
2015	43,986	838	809	913	36,491	936	3,999	41,426	49.8
2016	44,549	861	825	916	36,948	974	4,025	41,947	49.7
2017	44,999	882	839	913	37,584	1,024	3,757	42,365	50.6
2018	45,443	899	852	913	38,073	795	3,911	42,779	50.5
2019	46,259	912	862	913	38,624	767	4,181	43,572	50.9
2020	46,777	921	871	916	39,350	1,046	3,673	44,069	49.5
2021	47,040	928	877	913	39,983	1,270	3,069	44,322	50.1
2022	47,406	931	881	913	40,404	1,243	3,034	44,681	50.0
2023	47,812	934	885	913	40,991	1,244	2,845	45,080	50.0
2024	48,283	935	888	916	41,469	1,244	2,831	45,544	49.9

* Column (OTH) includes Conservation Energy For Lighting and Public Authority Customers, Customer-Owned Self-service Cogeneration.

** Load Factors for historical years are calculated using the actual winter peak demand except the 2004, 2007, 2012 - 2014 historical load factors which are based on the actual summer peak demand which became the annual peaks for the year.
Load Factors for future years are calculated using the net firm winter peak demand (Schedule 3.2)

DUKE ENERGY FLORIDA

SCHEDULE 4
PREVIOUS YEAR ACTUAL AND TWO-YEAR FORECAST OF PEAK DEMAND
AND NET ENERGY FOR LOAD BY MONTH

(1)	(2)	(3)	(4)	(5)	(6)	(7)
	ACTUAL 2014		FORECAST 2015		FORECAST 2016	
MONTH	PEAK DEMAND MW	NEL GWh	PEAK DEMAND MW	NEL GWh	PEAK DEMAND MW	NEL GWh
JANUARY	8,329	3,407	10,603	3,123	10,743	3,153
FEBRUARY	6,972	2,648	8,860	2,753	9,159	2,864
MARCH	5,203	2,977	8,005	2,958	8,042	2,949
APRIL	7,514	3,049	8,047	3,028	8,169	3,050
MAY	7,996	3,637	8,805	3,653	8,913	3,697
JUNE	8,608	3,877	9,356	3,963	9,322	4,017
JULY	8,049	4,166	9,412	4,210	9,397	4,268
AUGUST	9,218	4,379	9,655	4,313	9,720	4,356
SEPTEMBER	8,372	3,725	8,908	3,976	8,875	4,019
OCTOBER	8,031	3,333	8,302	3,496	8,272	3,558
NOVEMBER	6,862	2,807	7,093	2,868	7,065	2,911
DECEMBER	6,408	2,970	8,885	3,085	8,783	3,105
TOTAL		40,975		41,426		41,947

NOTE: Recorded Net Peak demands and System requirements include off-system wholesale contracts.

FUEL REQUIREMENTS AND ENERGY SOURCES

DEF's actual and projected nuclear, coal, oil, and gas requirements (by fuel unit) are shown in Schedule 5. DEF's two-year actual and ten-year projected energy sources by fuel type are presented in Schedules 6.1 and 6.2, in GWh and percent (%) respectively. DEF's fuel requirements and energy sources reflect a diverse fuel supply system that is not dependent on any one fuel source. Near term natural gas consumption is projected to increase as plants and purchases with tolling agreements are added to meet future load growth and natural gas generation costs reflect relatively attractive natural gas commodity pricing.

DUKE ENERGY FLORIDA

SCHEDULE 5
FUEL REQUIREMENTS

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
				-ACTUAL-											
	FUEL REQUIREMENTS		UNITS	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
(1)	NUCLEAR		TRILLION BTU	0	0	0	0	0	0	0	0	0	0	0	0
(2)	COAL		1,000 TON	4,792	5,176	4,072	3,588	3,540	2,667	3,370	2,285	2,325	2,391	2,614	2,531
(3)	RESIDUAL	TOTAL	1,000 BBL	251	0	0	0	0	0	0	0	0	0	0	0
(4)		STEAM	1,000 BBL	251	0	0	0	0	0	0	0	0	0	0	0
(5)		CC	1,000 BBL	0	0	0	0	0	0	0	0	0	0	0	0
(6)		CT	1,000 BBL	0	0	0	0	0	0	0	0	0	0	0	0
(7)		DIESEL	1,000 BBL	0	0	0	0	0	0	0	0	0	0	0	0
(8)	DISTILLATE	TOTAL	1,000 BBL	132	167	114	102	85	102	108	105	99	102	124	110
(9)		STEAM	1,000 BBL	55	55	47	56	51	45	37	56	61	54	59	50
(10)		CC	1,000 BBL	8	0	0	0	0	0	0	0	0	0	0	0
(11)		CT	1,000 BBL	69	112	67	46	34	57	71	49	39	48	65	60
(12)		DIESEL	1,000 BBL	0	0	0	0	0	0	0	0	0	0	0	0
(13)	NATURAL GAS	TOTAL	1,000 MCF	177,196	182,286	193,425	204,169	223,430	237,360	235,269	252,884	252,638	253,663	252,171	264,768
(14)		STEAM	1,000 MCF	23,404	32,855	28,164	27,199	25,797	19,345	19,223	15,624	16,277	16,315	16,346	15,770
(15)		CC	1,000 MCF	150,875	144,737	158,027	170,803	192,150	212,024	210,806	232,559	231,765	232,858	230,788	238,830
(16)		CT	1,000 MCF	2,917	4,694	7,234	6,168	5,482	5,991	5,241	4,701	4,595	4,490	5,037	10,167
	OTHER (SPECIFY)														
(17)	OTHER, DISTILLATE	ANNUAL FIRM INTERCHANGE	1,000 BBL	N/A	N/A	0	0	0	0	0	0	0	0	0	0
(18)	OTHER, NATURAL GAS	ANNUAL FIRM INTERCHANGE, CC	1,000 MCF	N/A	N/A	24,407	27,509	12,380	9,649	2,379	3,86	4,367	3,844	4,615	4,983
(18.1)	OTHER, NATURAL GAS	ANNUAL FIRM INTERCHANGE, CT	1,000 MCF	N/A	N/A	9,430	7,693	6,801	7,973	6,245	4,283	4,452	4,747	4,968	2,019
(19)	OTHER, COAL	ANNUAL FIRM INTERCHANGE, STEAM	1,000 TON	N/A	N/A	184	87	0	0	0	0	0	0	0	0

DUKE ENERGY FLORIDA

SCHEDULE 6.1
ENERGY SOURCES (GWh)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
				-ACTUAL-											
	ENERGY SOURCES		UNITS	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
(1)	ANNUAL FIRM INTERCHANGE 1/		GWh	1,409	1,755	2,890	2,938	636	744	583	400	415	442	464	183
(2)	NUCLEAR		GWh	0	0	0	0	0	0	0	0	0	0	0	0
(3)	COAL		GWh	10,577	11,760	8,583	7,386	7,251	5,422	7,125	4,653	4,760	4,910	5,374	5,214
(4)	RESIDUAL	TOTAL	GWh	127	0	0	0	0	0	0	0	0	0	0	0
(5)		STEAM	GWh	127	0	0	0	0	0	0	0	0	0	0	0
(6)		CC	GWh	0	0	0	0	0	0	0	0	0	0	0	0
(7)		CT	GWh	0	0	0	0	0	0	0	0	0	0	0	0
(8)		DIESEL	GWh	0	0	0	0	0	0	0	0	0	0	0	0
(9)	DISTILLATE	TOTAL	GWh	93	38	27	18	13	23	28	20	16	19	25	24
(10)		STEAM	GWh	58	0	0	0	0	0	0	0	0	0	0	0
(11)		CC	GWh	7	0	0	0	0	0	0	0	0	0	0	0
(12)		CT	GWh	28	38	27	18	13	23	28	20	16	19	25	24
(13)		DIESEL	GWh	0	0	0	0	0	0	0	0	0	0	0	0
(14)	NATURAL GAS	TOTAL	GWh	23,061	22,962	25,477	26,991	29,696	32,177	32,351	35,119	35,044	35,213	34,977	36,559
(15)		STEAM	GWh	1,951	2,931	2,339	2,216	2,057	1,407	1,458	1,048	1,100	1,126	1,117	1,064
(16)		CC	GWh	20,893	19,674	22,486	24,208	27,122	30,227	30,420	33,615	33,496	33,654	33,381	34,541
(17)		CT	GWh	217	357	652	567	516	543	473	456	448	433	479	954
(18)	OTHER 2/														
	QF PURCHASES		GWh	2,886	1,654	1,570	1,684	1,746	1,745	1,742	1,747	1,745	1,743	1,662	734
	RENEWABLES OTHER		GWh	1,132	23	0	0	0	0	0	0	0	0	0	0
	RENEWABLES MSW				708	578	569	605	605	605	607	605	605	605	607
	RENEWABLES BIOMASS				196	656	663	692	692	692	694	692	692	692	694
	RENEWABLES SOLAR				0	3	21	40	59	121	305	451	532	653	851
	IMPORT FROM OUT OF STATE		GWh	1,546	1,958	1,641	1,677	1,685	1,312	324	525	594	523	628	678
	EXPORT TO OUT OF STATE		GWh	-59	-79	0	0	0	0	0	0	0	0	0	0
(19)	NET ENERGY FOR LOAD		GWh	40,772	40,975	41,426	41,947	42,365	42,779	43,572	44,069	44,322	44,681	45,080	45,543

1/ NET ENERGY PURCHASED (+) OR SOLD (-) WITHIN THE FRCC REGION.
2/ NET ENERGY PURCHASED (+) OR SOLD (-).

DUKE ENERGY FLORIDA

SCHEDULE 6.2

ENERGY SOURCES (PERCENT)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
				-ACTUAL-											
	ENERGY SOURCES		UNITS	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
(1)	ANNUAL FIRM INTERCHANGE 1/		%	3.8%	4.3%	7.0%	7.0%	1.5%	1.7%	1.3%	0.9%	0.9%	1.0%	1.0%	0.4%
(2)	NUCLEAR		%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
(3)	COAL		%	24.3%	28.7%	20.7%	17.6%	17.1%	12.7%	16.4%	10.6%	10.7%	11.0%	11.9%	11.4%
(4)	RESIDUAL	TOTAL	%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
(5)		STEAM	%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
(6)		CC	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
(7)		CT	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
(8)		DIESEL	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
(9)	DISTILLATE	TOTAL	%	0.3%	0.1%	0.1%	0.0%	0.0%	0.1%	0.1%	0.0%	0.0%	0.0%	0.1%	0.1%
(10)		STEAM	%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
(11)		CC	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
(12)		CT	%	0.1%	0.1%	0.1%	0.0%	0.0%	0.1%	0.1%	0.0%	0.0%	0.0%	0.1%	0.1%
(13)		DIESEL	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
(14)	NATURAL GAS	TOTAL	%	58.2%	56.0%	61.5%	64.3%	70.1%	75.2%	74.2%	79.7%	79.1%	78.8%	77.6%	80.3%
(15)		STEAM	%	5.3%	7.2%	5.6%	5.3%	4.9%	3.3%	3.3%	2.4%	2.5%	2.5%	2.5%	2.3%
(16)		CC	%	52.1%	48.0%	54.3%	57.7%	64.0%	70.7%	69.8%	76.3%	75.6%	75.3%	74.0%	75.8%
(17)		CT	%	0.9%	0.9%	1.6%	1.4%	1.2%	1.3%	1.1%	1.0%	1.0%	1.0%	1.1%	2.1%
(18)	OTHER 2/														
	QF PURCHASES		%	6.7%	4.0%	3.8%	4.0%	4.1%	4.1%	4.0%	4.0%	3.9%	3.9%	3.7%	1.6%
	RENEWABLES OTHER		%	2.9%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	RENEWABLES MSW				1.7%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.3%	1.3%
	RENEWABLES BIOMASS				0.5%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.5%	1.5%	1.5%
	RENEWABLES SOLAR				0.0%	0.0%	0.0%	0.1%	0.1%	0.3%	0.7%	1.0%	1.2%	1.4%	1.9%
	IMPORT FROM OUT OF STATE		%	3.8%	4.8%	4.0%	4.0%	4.0%	3.1%	0.7%	1.2%	1.3%	1.2%	1.4%	1.5%
	EXPORT TO OUT OF STATE		%	0.0%	-0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
(19)	NET ENERGY FOR LOAD		%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

1/ NET ENERGY PURCHASED (+) OR SOLD (-) WITHIN THE FRCC REGION.

2/ NET ENERGY PURCHASED (+) OR SOLD (-).

FORECASTING METHODS AND PROCEDURES

INTRODUCTION

Accurate forecasts of long-range electric energy consumption, customer growth, and peak demand are essential elements in electric utility planning. Accurate projections of a utility's future load growth require a forecasting methodology with the ability to account for a variety of factors influencing electric consumption over the planning horizon. DEF's forecasting framework utilizes a set of econometric models as well as the Itron statistically adjusted end-use (SAE) approach to achieve this end. This section will describe the underlying methodology of the customer, energy, and peak demand forecasts including the principal assumptions incorporated within each. Also included is a description of how DSM impacts the forecast and a review of DEF's DSM programs.

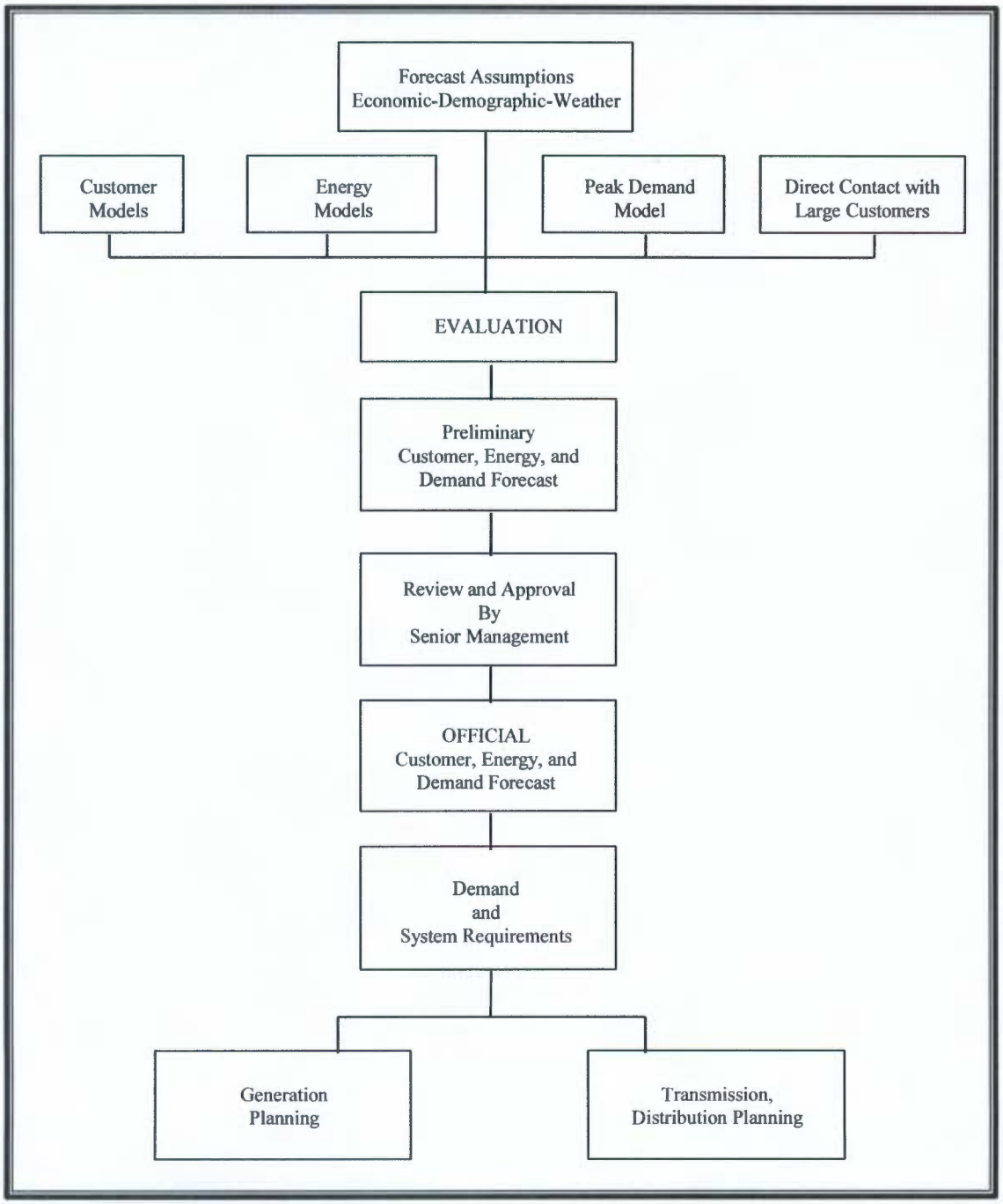
Figure 2.1, entitled "Customer, Energy and Demand Forecast," gives a general description of DEF's forecasting process. Highlighted in the diagram is a disaggregated modeling approach that blends the impacts of average class usage, as well as customer growth, based on a specific set of assumptions for each class. Also accounted for is some direct contact with large customers. These inputs provide the tools needed to frame the most likely scenario of the Company's future demand.

FORECAST ASSUMPTIONS

The first step in any forecasting effort is the development of assumptions upon which the forecast is based. A collaborative internal Company effort develops these assumptions including the research efforts of a number of external sources. These assumptions specify major factors that influence the level of customers, energy sales, or peak demand over the forecast horizon. The following set of assumptions forms the basis for the forecast presented in this document.

FIGURE 2.1

Customer, Energy, and Demand Forecast



GENERAL ASSUMPTIONS

1. Normal weather conditions for energy sales are assumed over the forecast horizon using a sales-weighted 10-year average of conditions at the St Petersburg, Orlando, and Tallahassee weather stations. For billed kilowatt-hour (kWh) sales projections, the normal weather calculation begins with a historical 10-year average of the billing cycle weighted monthly heating and cooling degree-days. The expected consumption period read dates for each projected billing cycle determines the exact historical dates for developing the ten year average weather condition each month. Each class displays different weather-sensitive base temperatures from which degree day values begin to accumulate. Seasonal peak demand projections are based on a 30-year historical average of system-weighted temperatures at time of seasonal peak at the same three weather stations. The remaining non-seasonal peak months of the year may use less than 30 years if an historical monthly peak occurred due to unusual weather.

2. DEF customer forecast is based upon historical population estimates and produced by the BEBR at the University of Florida (as published in "Florida Population Studies", Bulletin No. 65 March 2014) and provides the basis for the 29 county population forecast used in the development of the DEF customer forecast. National and Florida economic projections produced by Moody's Analytics in their July 2014 forecast, along with EIA 2014 surveys of residential appliance saturation and average appliance efficiency levels provided the basis for development of the DEF energy forecast.

3. Within the DEF service area, the phosphate mining industry is the dominant sector in the industrial sales class. Three major customers accounted for nearly 32 percent of the industrial class MWh sales in 2014. These energy intensive customers mine and process phosphate-based fertilizer products for the global marketplace. The supply and demand (price) for their products are dictated by global conditions that include, but are not limited to, foreign competition, national/international agricultural industry conditions, exchange-rate fluctuations, and international trade pacts. The market price of the raw mined commodity often dictates production levels. Load and energy consumption at the DEF-served mining or chemical processing sites depend heavily on plant operations, which are heavily influenced by these global as well as the local conditions, including environmental regulations. Going forward,

global currency fluctuations and global stockpiles of farm commodities will determine the demand for fertilizers. The DEF forecast calls for a continuation of the depressed level of annual electric energy consumption experienced in 2014 due to a mine shutdown brought about by the merger of two mining customers. Also, the current strength of U.S. Dollar makes all domestic production less price competitive at home and abroad. The forecast does account for one customer's intention to open a new mine later in this decade. A risk to this projection lies in the price of energy, which is a major cost in mining and producing phosphoric fertilizers.

4. DEF supplies load and energy service to wholesale customers on a "full" and "partial" requirement basis. Full requirements (FR) customers demand and energy are assumed to grow at a rate that approximates their historical trend. Contracts for this service include the cities of Chattahoochee, Mt. Dora and Williston. Partial requirements (PR) customers load is assumed to reflect the current contractual obligations reflected by the nature of the stratified load they have contracted for, plus their ability to receive dispatched energy from power marketers any time it is more economical for them to do so. Contracts for PR service included in this forecast are with the Reedy Creek Improvement District (RCID), Seminole Electric Cooperative, Inc. (SECI), and the cities of New Smyrna Beach and Homestead.

5. This forecast assumes that DEF will successfully renew all future franchise agreements.

6. This forecast incorporates demand and energy reductions expected to be realized through currently FPSC approved DSM targets as stated in Docket No. 130200-EI .

7. Expected energy and demand reductions from customer-owned self-service cogeneration facilities are also included in this forecast. DEF will supply the supplemental load of self-service cogeneration customers. While DEF offers "standby" service to all cogeneration customers, the forecast does not assume an unplanned need for power at time of peak.

8. This forecast assumes that the regulatory environment and the obligation to serve our retail customers will continue throughout the forecast horizon. Regarding wholesale customers, the forecast does not plan for generation resources unless a long-term contract is in place. FR

customers are typically assumed to renew their contracts with DEF except those who have termination provisions and have given their notice to terminate. PR contracts are typically projected to terminate as terms reach their expiration date.

ECONOMIC ASSUMPTIONS

The economic outlook for this forecast was developed in the Fall of 2014 as the nation's economy appeared to display stronger signs of growth. Most economic indicators pointed to significant year-over-year improvements. These included strong employment growth and declining unemployment, lower home foreclosures, moderately higher construction levels and much improved consumer confidence. Nationally, energy prices were declining, along with interest rates, and consumers were spending (and borrowing) again. What was not reported, however, were gains in median household incomes (after inflation) and improvement in the rate of homeownership. Both may be the result of a prolonged impact from the Great Recession where an oversupply of labor forced down wage rates, increased the number of lower paid part-time positions, damaged personal credit histories for many potential homebuyers and severely restricted mortgage credit compared to levels reached in the pre-financial crisis period.

In Florida, statewide job growth was among the highest nationally. In 2014, the State became the third most populous in the nation, according to the U.S. Census Bureau. Construction cranes could be seen again in almost every direction. Tourism levels have returned, boosting the vibrancy of the local economies. Public sector tax receipts have improved, allowing this sector to become a positive force on aggregate demand in the economy after many years in decline.

The DEF forecast incorporates the economic assumptions implied in the Moody's Analytics U.S. and Florida forecasts with some minor tempering to its short term optimism. This view suggests that the de-leveraging American consumer has begun to spend again, feeling more secure about the future. The newfound abundance of American energy supplies will improve tourism travel, both by air and car. Finally, low oil and natural gas prices, are expected to improve the country's competitive advantage in several manufacturing sectors. A tempering of this optimistic picture must be applied by recognizing the number of weak economies around the globe and the amount of excess capacity available to out-bid American producers in a strong USD World. Gains will come

from service-related sectors in which the Florida economy does well. The State economy will benefit from more spending in health care and the retiring baby-boom generation. An improvement in the State's building products and infrastructure manufacturers has already begun. Throughout the ten year forecast horizon, risks and uncertainties are always recognized and handled on a "highest probability of outcome" basis. General rules of economic theory, namely, supply and demand equilibrium are maintained in the long run. This notion is applied to energy/commodity prices, currency levels, the housing market, wage rates, inflation and interest rates. Uncertainty surrounding international crises, such as wars or terrorist acts, are not explicitly designed into this projection. Thus, any situations of this variety will force a deviation from the forecast.

Also incorporated in this energy forecast is a projection of customer-owned solar photovoltaic generation and electric vehicle ownership. The net energy impact of both are expected to result in only marginal impacts to the forecasted energy growth.

FORECAST METHODOLOGY

The DEF forecast of customers, energy sales, and peak demand applies both an econometric and end-use methodology. The residential and commercial energy projections incorporate Itron's SAE approach while other classes use customer class-specific econometric models. These models are expressly designed to capture class-specific variation over time. Peak demand models are projected on a disaggregated basis as well. This allows for appropriate handling of individual assumptions in the areas of wholesale contracts, load management, interruptible service and changes in self-service generation capacity.

ENERGY AND CUSTOMER FORECAST

In the retail jurisdiction, customer class models have been specified showing a historical relationship to weather and economic/demographic indicators using monthly data for sales models and customer models. Sales are regressed against "driver" variables that best explain monthly fluctuations over the historical sample period. Forecasts of these input variables are either derived internally or come from a review of the latest projections made by several independent forecasting concerns. The external sources of data include Moody's Analytics and the University of Florida's

BEBR. Internal company forecasts are used for projections of electricity price, weather conditions, and the length of the billing month. The incorporation of residential and commercial "end-use" energy have been modeled as well. Surveys of residential appliance saturation and average efficiency performed by the company's Market Research department and the Energy Information Agency (EIA), along with trended projections of both by Itron capture a significant piece of the changing future environment for electric energy consumption. Specific sectors are modeled as follows:

Residential Sector

Residential kWh usage per customer is modeled using the SAE framework. This approach explicitly introduces trends in appliance saturation and efficiency, dwelling size and thermal efficiency. It allows for an easier explanation of usage levels and changes in weather-sensitivity over time. The "bundling" of 19 residential appliances into "heating", "cooling" and "other" end uses form the basis of equipment-oriented drivers that interact with typical exogenous factors such as real median household income, cooling degree-days, heating degree-days, the real price of electricity to the residential class and the average number of billing days in each sales month. This structure captures significant variation in residential usage caused by changing appliance efficiency and saturation levels, economic cycles, weather fluctuations, electric price, and sales month duration. Projections of kWh usage per customer combined with the customer forecast provide the forecast of total residential energy sales. The residential customer forecast is developed by correlating monthly residential customers with households within DEF's 29-county service area. County level population projections for counties in which DEF serves residential customers are provided by the BEBR.

Commercial Sector

Commercial MWh energy sales are forecast based on commercial sector (non-agricultural, non-manufacturing and non-governmental) employment, the real price of electricity to the commercial class, the average number of billing days in each sales month and heating and cooling degree-days. As in the residential sector, these variables are interacted with the commercial end-use equipment (listed below) after trends in equipment efficiency and saturation rates have been projected.

- Heating

- Cooling
- Ventilation
- Water heating
- Cooking
- Refrigeration
- Outdoor Lighting
- Indoor Lighting
- Office Equipment (PCs)
- Miscellaneous

The SAE model contains indices that are based on end-use energy intensity projections developed from EIA's commercial end-use forecast database. Commercial energy intensity is measured in terms of end-use energy use per square foot. End-use energy intensity projections are based on end-use efficiency and saturation estimates that are in turn driven by assumptions in available technology and costs, energy prices, and economic conditions. Energy intensities are calculated from the EIA's Annual Energy Outlook (AEO) commercial database. End-use intensity projections are derived for eleven building types. The energy intensity (EI) is derived by dividing end-use electricity consumption projections by square footage:

$$EI_{bet} = Energy_{bet} / sqft_{bt}$$

Where:

$Energy_{bet}$ = energy consumption for building type b, end-use e, year t

$Sqft_{bt}$ = square footage for building type b in year t

Commercial customers are modeled using the projected level of residential customers.

Industrial Sector

Energy sales to this sector are separated into two sub-sectors. A significant portion of industrial energy use is consumed by the phosphate mining industry. Because this one industry is such a large share of the total industrial class, it is separated and modeled apart from the rest of the class. The term "non-phosphate industrial" is used to refer to those customers who comprise the remaining portion of total industrial class sales. Both groups are impacted significantly by changes in economic activity. However, adequately explaining sales levels requires separate explanatory variables. Non-phosphate industrial energy sales are modeled using Florida manufacturing

employment interacted with the Florida industrial production index, and the average number of sales month billing days.

The industrial phosphate mining industry is modeled using customer-specific information with respect to expected market conditions. Since this sub-sector is comprised of only three customers, the forecast is dependent upon information received from direct customer contact. DEF industrial customer representatives provide specific phosphate customer information regarding customer production schedules, inventory levels, area mine-out and start-up predictions, and changes in self-service generation or energy supply situations over the forecast horizon. The projection of industrial accounts are expected to continue its historic decline. The decline in manufacturing nationwide, the increased competitiveness between the states, mergers between companies within the state, all have resulted in a continued decline in customer growth for this class.

Street Lighting

Electricity sales to the street and highway lighting class have remained flat for years but have declined of late. A continued decline is expected as improvements in lighting efficiency are projected. The number of accounts, which has dropped by more than one-third since 1995 due to most transferring to public authority ownership, is expected to decline further before leveling off in the intermediate term. A simple time-trend was used to project energy consumption and customer growth in this class.

Public Authorities

Energy sales to public authorities (SPA), comprised of federal, state and local government operated services, is also projected to grow within the size of DEF's service area. The level of government services, and thus energy, can be tied to the population base, as well as the amount of tax revenue collected to pay for these services. Factors affecting population growth will affect the need for additional governmental services (i.e. public schools, city services, etc.) thereby increasing SPA energy consumption. Government employment has been determined to be the best indicator of the level of government services provided. This variable, along with cooling degree-days and the sales month billing days, results in a significant level of explained variation over the historical sample period. Adjustments are also included in this model to account for the large change in school-

related energy use throughout the year . The SPA customer forecast is projected linearly as a function of a time-trend. Recent budget issues have also had an impact on the near-term pace of growth.

Sales for Resale Sector

The Sales for Resale sector encompasses all firm sales to other electric power entities. This includes sales to other utilities (municipal or investor-owned) as well as power agencies (rural electric authority or municipal).

SECI is a wholesale, or sales for resale, customer of DEF that contracts for both seasonal and stratified loads over the forecast horizon. The municipal sales for resale class includes a number of customers, divergent not only in scope of service (i.e., full or partial requirement), but also in composition of ultimate consumers. Each customer is modeled separately in order to accurately reflect its individual profile. Three customers in this class, Chattahoochee, Mt. Dora, and Williston, are municipalities whose full energy requirements are supplied by DEF. Energy projections for full requirement customers grow at a rate that approximates their historical trend with additional information coming from the respective city officials. DEF serves partial requirement service (PR) to municipalities such as New Smyrna Beach, Homestead, and another power provider, RCID. In each case, these customers contract with DEF for a specific level and type of stratified capacity needed to provide their particular electrical system with an appropriate level of reliability. The energy forecast for each contract is derived using its historical load factors where enough history exists, or typical load factors for a given type of contracted stratified load and expected fuel prices.

PEAK DEMAND FORECAST

The forecast of peak demand also employs a disaggregated econometric methodology. For seasonal (winter and summer) peak demands, as well as each month of the year, DEF's coincident system peak is separated into five major components. These components consist of potential firm retail load, interruptible and curtailable tariff non-firm load, conservation and load management program capability, wholesale demand, company use demand, and interruptible demand.

Potential firm retail load refers to projections of DEF retail hourly seasonal net peak demand (excluding the non-firm interruptible/curtailable/standby services) before any historical activation of DEF's General Load Reduction Plan. The historical values of this series are constructed to show the size of DEF's firm retail net peak demand assuming no utility activated load control had ever taken place. The value of constructing such a "clean" series enables the forecaster to observe and correlate the underlying trend in retail peak demand to retail customer levels and coincident weather conditions at the time of the peak without the impacts of year-to-year variation in load control reductions. Seasonal peaks are projected using the historical seasonal peak hour regardless of which month the peak occurred. The projections become the potential retail demand projection for the months of January (winter) and August (summer) since this is typically when the seasonal peaks occur. The non-seasonal peak months are projected the same as the seasonal peaks, but the analysis is limited to the specific month being projected. Energy conservation and direct load control estimates are consistent with DEF's DSM goals that have been established by the FPSC. These estimates are incorporated into the MW forecast. Projections of dispatchable and cumulative non-dispatchable DSM impacts are subtracted from the projection of potential firm retail demand resulting in a projected series of firm retail monthly peak demand figures.

Sales for Resale demand projections represent load supplied by DEF to other electric suppliers such as SECI, RCID, and other electric transmission and distribution entities. For Partial Requirement demand projections, contracted MW levels dictate the level of monthly demands. The Full Requirement municipal demand forecast is estimated for individual cities using historically trended growth rates adjusted for current economic conditions.

DEF "company use" at the time of system peak is estimated using load research metering studies and is assumed to remain stable over the forecast horizon as it has historically. The interruptible and curtailable service (IS and CS) load component is developed from historic trends, as well as the incorporation of specific information obtained from DEF's large industrial accounts by account executives.

Each of the peak demand components described above is a positive value except for the DSM program MW impacts and IS and CS load. These impacts represent a reduction in peak demand

and are assigned a negative value. Total system firm peak demand is then calculated as the arithmetic sum of the five components.

CONSERVATION

On August 16, 2011, the PSC issued Order No. PSC-11-0347-PAA-EG, Modifying and Approving the Demand Side Management Plan of DEF (formerly known as Progress Energy Florida, Inc.). In this Order, the FPSC modified DEF's DSM Plan to consist of those existing programs in effect as of the date of the Order.

The following tables show the 2010 through 2014 achievements from DEF's existing set of DSM programs.

Residential Conservation Savings Cumulative Achievements

Year	Summer MW	Winter MW	GWh Energy
	Achieved	Achieved	Achieved
2010	44	85	58
2011	83	160	111
2012	118	233	159
2013	144	281	200
2014	169	322	243

Commercial Conservation Savings Cumulative Achievements

Year	Summer MW	Winter MW	GWh Energy
	Achieved	Achieved	Achieved
2010	36	31	66
2011	65	61	132
2012	94	82	199
2013	121	103	243
2014	157	133	300

Total Conservation Savings Cumulative Achievements

Year	Summer MW	Winter MW	GWh Energy
	Achieved	Achieved	Achieved
2010	80	116	124
2011	148	221	243
2012	212	315	358
2013	265	384	442
2014	326	455	542

DEF's currently approved DSM programs consist of six residential programs, eight commercial and industrial programs, one research and development program, and six solar pilot programs that will continue to be offered through 2015. The programs are subject to periodic monitoring and evaluation for the purpose of ensuring that all demand-side resources are acquired in a cost-effective manner and that the program savings are durable. A brief description of each of the currently offered DSM programs is provided below.

In 2012, DEF received administrative approval of revisions to four programs as a result of changes to the Florida Building Code: Home Energy Improvement, Residential New Construction, Business New Construction and Better Business. The Building Code changes resulted in increased minimum efficiency levels which resulted in an increase in the baseline efficiency level from which DEF provides incentives. The revisions to the four programs are incorporated in the descriptions below.

In 2013, the increased efficiency standards impacted participation in DEF's approved DSM programs as measures that previously were eligible for incentives became required standards ineligible for incentives. The higher performance requirements established by the changes to the Florida Building Code, along with the state and federal minimum efficiency standards for residential appliances and commercial equipment, resulted in a reduction of demand and energy savings from DEF's DSM programs. As the U.S. Department of Energy (DOE) continues the implementation of increased energy efficiency standards for residential and commercial end-uses, the amount of demand and energy savings captured by DEF's DSM programs will decrease. On March 16, 2015, DEF submitted new programs to the PSC designed to meet the

goals established in Docket Number 130200-EI. If the new programs are approved by the Commission this year, DEF will reflect the changed programs, and resulting demand and energy savings, in its next TYSP filing.

DEF's CURRENTLY APPROVED DSM PROGRAMS:

RESIDENTIAL PROGRAMS

Home Energy Check

This energy audit program provides residential customers with an analysis of their current energy use and provides recommendations on how they can save on their electricity bills through low-cost or no-cost energy-saving practices and measures. The Home Energy Check program currently offers DEF customers the following types of audits: Type 1: Free Walk-Through Audit (Home Energy Check); Type 2: Customer-Completed Mail-In Audit (Do It Yourself Home Energy Check); Type 3: Online Home Energy Check (Internet Option)-a customer-completed audit; Type 4: Phone Assisted Audit – a customer assisted survey of structure and appliance use; Type 5: Computer Assisted Audit; Type 6: Home Energy Rating Audit (Class I, II, III); and Type 7: Student Mail In Audit - a student-completed audit. The Home Energy Check program serves as the foundation of the Home Energy Improvement program in that the audit is a prerequisite for participation in the energy saving measures offered in the Home Energy Improvement Program.

Home Energy Improvement

The Home Energy Improvement Program is the umbrella program that serves to increase energy efficiency for existing residential homes. All residential customers are eligible to participate in this program. The program includes a cost-effective and comprehensive portfolio of measures across all housing types designed to provide customer energy savings and reduce system demand.

The program provides incentives for a number of energy conservation measures including attic insulation upgrades, duct testing and repair, and high efficiency electric heat pumps.

Residential New Construction

This program promotes energy efficient new home construction in order to provide customers with more efficient dwellings combined with improved environmental comfort. The program provides education and information to the design and building community on energy efficient equipment and construction. It also facilitates the design and construction of energy efficient homes by working directly with the builders to comply with program requirements. The program provides incentives to the builder for high efficiency electric heat pumps and high performance windows. The highest level of the program incorporates the U.S. Environmental Protection Agency's Energy Star Homes Program and qualifies participants for cooperative advertising. Additional measures within the Residential New Construction program include HVAC commissioning, window film or screen, reflective roof for single-family homes, attic spray-on foam insulation, conditioned space air handler, and energy recovery ventilation.

Low Income Weatherization Assistance

This umbrella program seeks to improve energy efficiency for low-income customers in existing residential dwellings. It combines efficiency improvements to the thermal envelope with upgrades to electric appliances. The program provides incentives for attic insulation upgrades, duct testing and repair, reduced air infiltration, water heater wrap, HVAC maintenance, high efficiency heat pumps, heat recovery units, and dedicated heat pump water heaters.

Neighborhood Energy Saver

This program consists of 12 measures including compact fluorescent bulb replacement, water heater wrap and insulation for water pipes, water heater temperature check and adjustment, low-flow faucet aerator, low-flow showerhead, refrigerator coil brush, HVAC filters, and weatherization measures (i.e. weather stripping, door sweeps, etc.). In addition to the installation of new conservation measures, an important component of this program is educating families on energy efficiency techniques and the promotion of behavioral changes to help customers control their energy usage.

Residential Energy Management (EnergyWise)

This program allows DEF to reduce peak demand and thus defer generation construction. Peak demand is reduced by interrupting service to selected electrical equipment with radio-controlled switches installed on the customer's premises. These interruptions are at DEF's option, during specified time periods, and coincident with hours of peak demand. Participating customers receive a monthly credit on their electricity bills prorated for usage in excess of 600 kWh per month.

COMMERCIAL/INDUSTRIAL (C/I) PROGRAMS

Business Energy Check

This energy audit program provides commercial and industrial customers with an assessment of the current energy usage at their facilities, recommendations on how they can improve the environmental conditions of their facilities while saving on their electricity bills, and information on low-cost energy efficiency measures. The Business Energy Check consists of a free walk-through audit and a paid walk-through audit. Small business customers also have the option to complete a Business Energy Check online. In most cases, this program is a prerequisite for participation in the other C/I programs.

Better Business

This is the umbrella efficiency program for existing commercial and industrial customers. The program provides customers with information, education, and advice on energy-related issues as well as incentives on efficiency measures. The Better Business program promotes energy efficient HVAC, building retrofit measures (in particular, ceiling insulation upgrade, duct leakage test and repair, energy-recovery ventilation, and Energy Star cool roof coating products), demand-control ventilation, efficient compressed air systems, efficient motors, efficient indoor lighting, green roof, occupancy sensors, packaged AC steam cleaning, roof insulation, roof-top unit recommissioning, thermal energy storage and window film or screen.

Commercial/Industrial New Construction

The primary goal of this program is to foster the design and construction of energy efficient buildings. The new construction program: 1) provides education and information to the design community on all aspects of energy efficient building design; 2) requires that the building design, at a minimum, surpass the State of Florida energy code; 3) provides financial incentives for specific energy efficient equipment; and 4) provides energy design awards to building design teams. Incentives are available for high efficiency HVAC equipment, energy recovery ventilation, Energy Star cool roof coating products, demand-control ventilation, efficient compressed air systems, efficient motors, efficient indoor lighting, green roof, occupancy sensors, roof insulation, thermal energy storage and window film or screen.

Innovation Incentive

This program promotes a reduction in demand and energy by subsidizing energy conservation projects for DEF customers. The intent of the program is to encourage legitimate energy efficiency measures that reduce peak demand and/or energy, but are not addressed by other programs. Energy efficiency opportunities are identified by DEF representatives during a Business Energy Check audit. If a candidate project meets program specifications, it may be eligible for an incentive payment, subject to DEF approval.

Commercial Energy Management (Rate Schedule GSLM-1)

This direct load control program reduces DEF's demand during peak or emergency conditions. As described in DEF's DSM Plan, this program is currently closed to new participants. It is applicable to existing program participants who have electric space cooling equipment suitable for interruptible operation and are eligible for service under the Rate Schedule GS-1, GST-1, GSD-1, or GSDT-1. The program is also applicable to existing participants who have any of the following electrical equipment installed on permanent structures and utilized for the following purposes: 1) water heater(s), 2) central electric heating system(s), 3) central electric cooling system(s), and or 4) swimming pool pump(s). Customers receive a monthly credit on their bills depending on the type of equipment in the program and the interruption schedule.

Standby Generation

This demand control program reduces DEF's demand based upon the indirect control of customer generation equipment. This is a voluntary program available to all commercial, industrial, and agricultural customers who have on-site generation capability of at least 50 kW, and are willing to reduce their demand when DEF deems it necessary. Customers participating in the Standby Generation program receive a monthly credit on their electric bills according to their demonstrated ability to reduce demand at DEF's request.

Interruptible Service

This direct load control program reduces DEF's demand at times of capacity shortage during peak or emergency conditions. The program is available to qualified non-residential customers with an average billing demand of 500 kW or more, who are willing to have their power interrupted. DEF will have remote control of the circuit breaker or disconnect switch supplying the customer's equipment. In return for the ability to interrupt load, customers participating in the Interruptible Service program receive a monthly credit applied to their electric bills.

Curtailable Service

This load control program reduces DEF's demand at times of capacity shortage during peak or emergency conditions. The program is available to qualified non-residential customers who are willing to curtail demand. Customers participating in the Curtailable Service program receive a monthly credit applied to their electric bills.

RESEARCH AND DEVELOPMENT PROGRAMS

Technology Development

The primary purpose of this program is to establish a system to "Aggressively pursue research, development and demonstration projects jointly with others as well as individual projects" (Rule 25-17.001(5)(f), Florida Administration Code). In accordance with the rule, the Technology Development program facilitates the research of innovative technologies and continued advances within the energy industry. DEF will undertake certain development, educational and demonstration projects that have potential to become DSM programs. Examples of projects included in this program include the evaluation of off-peak generation with energy storage for on-peak demand consumption, small-scale wind and smart charging for plug-in hybrid electric vehicles. In most cases, each demand reduction and energy efficiency project that is proposed and investigated under this program requires field-testing with customers.

DEMAND-SIDE RENEWABLE PORTFOLIO

Solar Water Heating for the Low-income Residential Customers Pilot

This pilot program is designed to assist low-income families with energy costs by incorporating a solar thermal water heating system in their residence while it is under construction. DEF collaborates with non-profit builders to provide low-income families with a residential solar thermal water heater. The solar thermal system is provided at no cost to the non-profit builders or the residential participants.

Solar Water Heating with Energy Management

This pilot program encourages residential customers to install new solar thermal water heating systems on their residence with the requirement for customers to participate in our residential Energy Management program (EnergyWise). Participants receive a one-time $550 rebate designed to reduce the upfront cost of the renewable energy system, plus a monthly bill credit associated with their participation in the residential Energy Management program.

Residential Solar Photovoltaic Pilot

This pilot encourages residential customers to install new solar photovoltaic (PV) systems on their home. A DEF audit is required prior to system installation to qualify for this rebate. Participating customers will receive a one-time rebate of up to $20,000 to reduce the initial investment required to install a qualified renewable solar PV system. The rebate is based on the wattage of the PV (DC) power rating.

Commercial Solar Photovoltaic Pilot

This pilot encourages commercial customers to install new solar PV systems on their facilities. A DEF energy audit is required prior to system installation to qualify for this rebate. The program provides participating commercial customers with a tiered rebate to reduce the initial investment in a qualified solar PV system. The rebate is based on the PV (DC) power rating of the unit installed. The total incentives per participant will be limited to $130,000, based on a maximum installation of 100 kW.

Photovoltaic For Schools Pilot

This pilot is designed to assist schools with energy costs while promoting energy education. This program provides participating public schools with new solar photovoltaic systems at no cost to the school. The primary goals of the program are to:

- Eliminate the initial investment required to install a solar PV system
- Increase renewable energy generation on DEF's system
- Increase participation in existing residential Demand Side Management measures through energy education
- Increase solar education and awareness in DEF communities and schools

The program will be limited to an annual target of one system with a rating up to 100 KW installed on a post secondary public school and ten 10 KW systems with battery backup option installed on public K-12 schools, preferably serving as emergency shelters.

Research and Demonstration Pilot

The purpose of this pilot program is to research technology and establish Research and Design initiatives to support the development of renewable energy pilot programs. Demonstration projects will provide real-world field testing to assist in the development of these initiatives. The program will be limited to a maximum annual expenditure equal to 5% of the total Demand-Side Renewable Portfolio annual expenditures.

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IFR MARKETS

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FPL RECOVERY FUNDING LLC

May 15 12:00pm By ifr_test@ifrmarkets.com

Status: PRICED

Pricing Date:
15-May-2007

Issuer:
FPL Recovery Funding LLC

Currency: USD

Size:
652M

Region:
US

Tranches:

Cl	Size(M)	WAL	Legal	SF Window	PX Spread	Yield	Coup	Price
A-1	124.0	1.97	2/1/11	02/08-08/10	Swps -1	n/a	5.0530	Var-PX
A-2	140.0	4.98	8/1/13	02/11-02/13	Swps +2	n/a	5.0440	----
A-3	100.0	7.31	8/1/15	08/13-02/15	Swps +5	n/a	5.1273	----
A-4	288.0	10.38	8/1/19	08/15-02/19	Swps +8	n/a	5.2555	----

NOTES: [Priced 5-15-07]: Via Wachovia -sole (via competitive bid). Asset pool: storm recovery charges from FPL customers; FPSC guaranteed true-up mechanism for int & prin pymt. Sponsor/Depos/Svcr: Florida Power & Light. Structure: NON-CALL life. Rated Aaa/AAA/AAA by Moody's/S&P/Fitch. Semi-annual pay, 30/360 daycount. 1st Payment: 2/1/2008. Settlement: 5/22/2007.

Export to Excel

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval to include in base rates the revenue requirement for the CR3 regulatory asset, by Duke Energy Florida, Inc.	DOCKET NO. 150148-EI
In re: Petition for issuance of nuclear asset-recovery financing order, by Duke Energy Florida, Inc. d/b/a Duke Energy.	DOCKET NO. 150171-EI DATED: September 29, 2015

DUKE ENERGY FLORIDA, LLC'S SUPPLEMENTAL RESPONSE TO STAFF'S FOURTH REQUEST FOR PRODUCTION OF DOCUMENTS (NO. 13-16)

Duke Energy Florida, LLC ("DEF") provides this Supplemental Response to Staff's Fourth Request for Production of Documents (Question No. 13 only) as follows:

DOCUMENTS REQUESTED

13. Please refer to Staff's Fifth Set of Interrogatories to DEF, No. 45. Please provide copies of the contracts for each firm or individual that DEF identifies in response to Staff Interrogatory No. 45.

SUPPLEMENTAL RESPONSE: See the attached engagement agreements referenced in DEF's Answer to Interrogatory No. 45 bearing Bates numbers 150148-STAFFPOD4-13-000044 through 150148-STAFFPOD4-13-000082. DEF has not executed engagement agreements with the law firms of Richards Layton & Finger, PA or Sidley Austin LLP, that are also referenced in DEF's Answer to Interrogatory No. 45.

Documents bearing Bates numbers 150148-STAFFPOD4-13-000044 through 150148-STAFFPOD4-13-000082 are entirely confidential. A redacted version (slipsheets) are attached hereto. An unredacted version has been filed with the FPSC along with DEF's Notice of Intent to Request Confidential Classification dated September 29, 2015.

/s/ John T. Burnett

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished via electronic mail to the following this 29th day of September, 2015.

/s/ John T. Burnett

Attorney

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Florida Industrial Power Users Group c/o Moyle Law Firm, P.A. Jon C. Moyle, Jr. Karen A. Putnal 118 North Gadsden Street Tallahassee, Florida 32301 jmoyle@moylelaw.com kputnal@moylelaw.com	PSC Phosphate – White Springs c/o James W. Brew Owen J. Kopon Stone Mattheis Xenopoulos & Brew, PC 1025 Thomas Jefferson Street, NW Eighth Floor, West Tower Washington, DC 20007-5201 jbrew@smxblaw.com ojk@smxblaw.com

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REDACTED SLIPSHEET:

SHUTTS & BOWEN ENGAGEMENT AGREEMENT

(entirely redacted)

BATES NUMBERS 150148-STAFFPOD4-13-000044
THROUGH 150148-STAFFPOD4-13-000061

REDACTED SLIPSHEET:

HUNTON & WILLIAMS ENGAGEMENT AGREEMENT

(entirely redacted)

BATES NUMBERS 150148-STAFFPOD4-13-000062
THROUGH 150148-STAFFPOD4-13-000082

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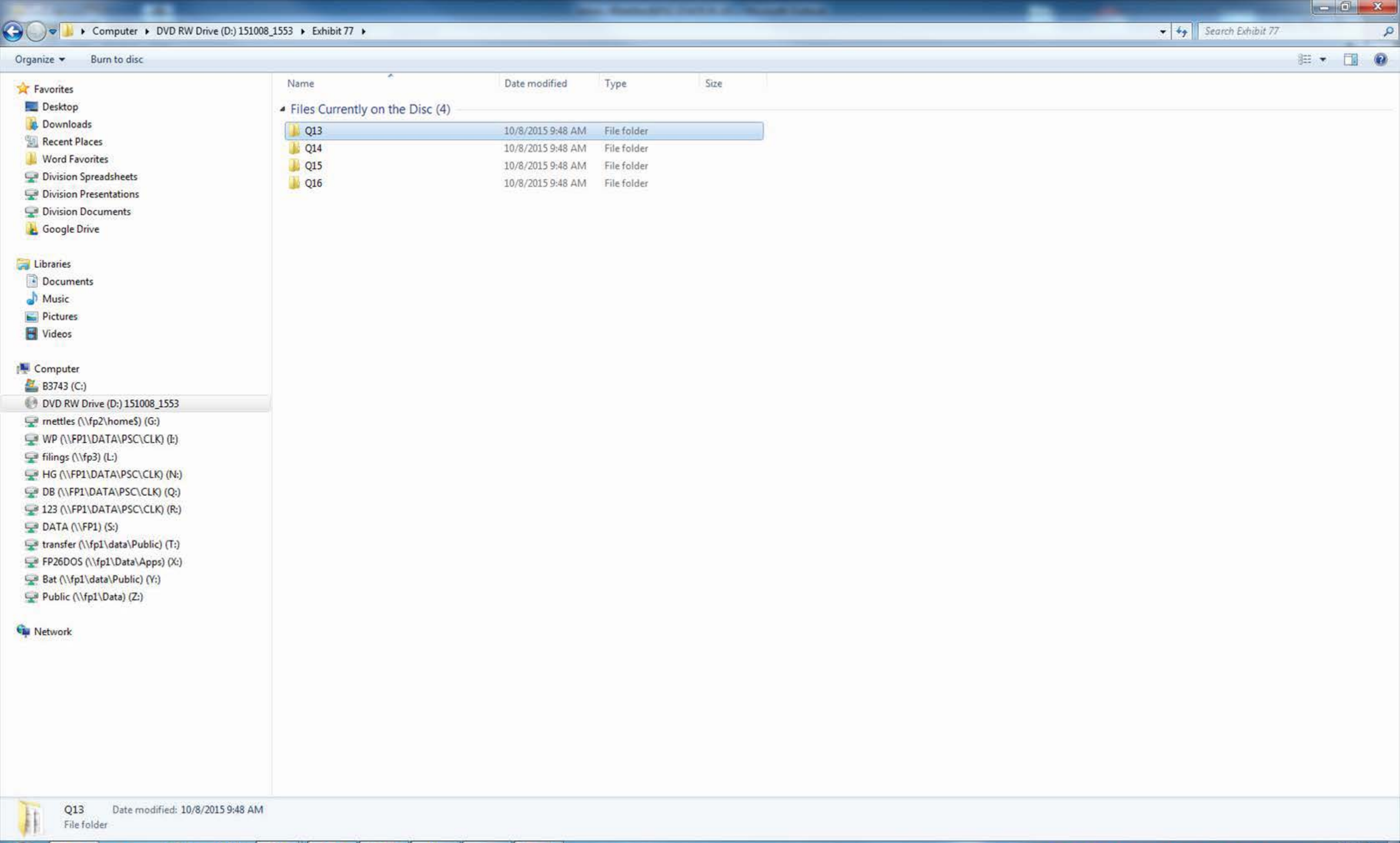
Exhibit 76	10/8/2015 9:48 AM	File folder	
Exhibit 77	10/8/2015 9:48 AM	File folder	
Exhibit 79	10/8/2015 8:49 AM	File folder	
Exhibit 80	10/8/2015 8:49 AM	File folder	
150148-150171 Staff Hearing Exhibits 75-...	10/8/2015 3:05 PM	PDF File	16,529 KB

Exhibit 77 Date modified: 10/8/2015 9:48 AM
File folder

1:52 PM
10/14/2015


Computer ▸ DVD RW Drive (D:) 151008_1553 ▸ Exhibit 77 ▸
Search Exhibit 77
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Q15 10/8/2015 9:48 AM File folder
Q16 10/8/2015 9:48 AM File folder
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File folder
1:53 PM
10/14/2015

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POD 4-13 Guidant Master Service Agree...	9/25/2015 2:39 PM	PDF File	3,512 KB
POD 4-13 Guidant-Job Order 1 Redacted....	9/25/2015 2:40 PM	PDF File	550 KB
POD 4-13 Guidant-Job Order 3 Redacted....	9/25/2015 2:40 PM	PDF File	696 KB

78

DEF's Response to Staff's Fifth Set of Interrogatories (Nos. 44-68)

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET: 150148-EI EXHIBIT: 78
PARTY: STAFF – (DIRECT)
DESCRIPTION: Marcia OlivierPatrick Collins Staff'sExhibit #78

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval to include in base rates the revenue requirement for the CR3 regulatory asset, by Duke Energy Florida, Inc.	DOCKET NO. 150148-EI
In re: Petition for issuance of nuclear asset-recovery financing order, by Duke Energy Florida, Inc. d/b/a Duke Energy.	DOCKET NO. 150171-EI DATED: September 25, 2015

DUKE ENERGY FLORIDA, LLC'S RESPONSE TO STAFF'S FIFTH SET OF INTERROGATORIES (NOS. 44-68)

Duke Energy Florida, LLC ("DEF"), responds to Staff's Fifth Set of Interrogatories to DEF (Nos. 44-68), as follows:

INTERROGATORIES

44. How does DEF propose to recover the carrying charges associated with the CR3 regulatory asset for the period between January 1, 2016 and the issuance of the bonds?

Answer: DEF proposes to continue to accrue and add the carrying charges to the CR3 regulatory asset up until the date at which the bonds are issued. Please see the direct testimony of Ms. Olivier, pages 9-10. These carrying charges will be included in the Issuance Advice Letter, Attachment 1, as a separate line titled "Carry charges on the CR3 Regulatory Asset, subsequent to December 31, 2015".

45. For every vendor retained by DEF to work on the securitization that DEF intends to recover their associated costs through the securitization, please:

a. Identify the firm or individual;

b. Describe the work that will be performed;

c. Provide an estimate of the cost; and,

d. Describe the process of how DEF determined the fee was necessary and reasonable.

Answer: To date, DEF has engaged Morgan Stanley as its structuring advisor, Hunton & Williams LLP as its issuer counsel, Richards Layton & Finger, PA as its Delaware counsel, and Shutts and Bowen LLP as its Florida counsel. Morgan Stanley has engaged Sidley Austin LLP as its counsel. No other transaction participants have been engaged by DEF at this time. The work being performed by these firms is consistent with other utility securitization transactions and is outlined in the respective engagement letters. Cost estimates for these firms were provided in the response to Staff Interrogatory No. 8 and are included in the set of documents bearing Bates numbers 150148-STAFFROG2-8-000001 through 150148-STAFFROG2-8-000039. DEF distributed a request for proposal for structuring advisory services to four leading financial institutions. Morgan Stanley was selected based on its experience in the utility securitization marketplace and the competitiveness of its proposed fee for structuring advisory services. Lawyers with Hunton & Williams and Sidley Austin have served in key roles on the majority of recent utility securitization transactions. Hunton & Williams serves as Duke Energy's issuer counsel on all public debt issuances.

DEF has also engaged four contractors for the information technology programming work included in line 2 of Exhibit BB-1, page 1 of 2, titled "Servicer Set-up Fees (including Information Technology Programming Costs)". These four individuals were hired through Duke's staff augmentation agreement with the Guidant Group. The scope of work includes creating design documentation and specifications according to project requirements, modifications to programs per the design specifications (coding), unit testing to demonstrate the coded solution works as specified, and developing deployment plan outlining steps needed to implement changes into DEF's production environment. The total estimated cost of these four contractors is $251,000. The fee for each contractor was determined based on the market rate of skill sets in the local market.

For the following questions, please refer to page 8, lines 19 and 20 of Mr. Collins' Direct Testimony, regarding the relative value of "comparable securities."

46. What type of securities have underwriters and/or investors used as comparable securities to determine the relative value of pricing securitized utility bonds?

Answer: Morgan Stanley generally looks at a wide variety of high quality securities across fixed income products to gauge how investors may perceive the relative value of a new utility securitization issuance, including recently priced utility securitizations. More specifically, Morgan Stanley, as an underwriter, is primarily concerned in this context with what the general market perception is with respect to certain asset classes and how certain sectors are trading relative to each other. Some examples include: AAA-rated credit cards, AAA-rated prime auto loans, AAA-rated agency multi-family properties, AAA-rated conduit CMBS, AAA-rated corporates, and utility first mortgage bonds.

47. Do the types of comparable securities differ depending on the characteristics of a particular tranche of securitized utility bonds?

Answer: Yes. Comparable securities are determined based on a number of factors, the foremost of which are rating and maturity or weighted average life (WAL). Other important factors include: liquidity, amortization profile, recourse vs. non-recourse, structural complexity, and prospective finance terms, to name some.

48. Does the broad-based nature of the true-up mechanism combined with the state pledge serve to effectively eliminate for all practical purposes and circumstances any credit risk associated with the bonds i.e., payment of principal and interest when due? If so, what other classes of securities have comparable credit features?

Answer: The true-up mechanism, when coupled with the State pledge, provides unique and very strong credit support for the nuclear asset recovery bonds. As stated in the July 9, 2015 prospectus for the Entergy New Orleans utility securitization, "the characteristics of storm recovery property are unlike the characteristics of assets underlying mortgage and other commercial asset securitizations because storm recovery property is a creature of statute and regulatory [commission] proceedings." (http://www.sec.gov/Archives/edgar/data/71508/000006598415000222/d16479d424b5.htm at p. 27)

However, as of this point in the process, DEF has insufficient information to make a conclusion as to whether all credit risk has been "effectively eliminated". For example, DEF (and the entire bond team) should carefully consider all relevant information, including utility sector transformational matters such as technological changes and distributed generation risk, the results of the rating agencies' inquiries and stress tests, and other factors such as risks posed by the potentially devastating consequences of hurricanes or other natural disasters. In fact, the most recent utility securitization by Entergy New Orleans did not achieve the sought-after "Aaa" rating from Moody's because Moody's believed that the hurricane risk could not be adequately addressed in the transaction.

In short, DEF believes the credit strengths of the proposed nuclear asset-recovery bonds are exceptional, for many reasons that will be fully articulated to the rating agencies and prospective investors. However, DEF believes it is necessary to obtain additional information before making a definitive conclusion as to whether all credit risk has been "effectively eliminated."

For the following questions, please refer to page 10, line 17 through page 11, line 14 of Mr. Collins' Direct Testimony, re: "credit spread."

49. Will there be any prepayment risk for DEF's nuclear asset-recovery bonds?

Answer: DEF believes the proposed nuclear asset-recovery bonds have limited, if any prepayment risk.

The market generally considers prepayment risk to be the uncertainty as to the exact timing when an underlying obligor prepays the underlying collateral (e.g., a mortgage can be prepaid before its maturity). Call risk, or optional redemption risk, is generally the risk of the issuer choosing to repurchase its outstanding bonds and refinance them with cheaper debt. Neither prepayment risk nor call risk exists in utility securitizations. The former does not exist because there are no underlying loans or leases; the latter does not exist because utility securitizations generally do not include call provisions. In the unlikely event of an acceleration event prior to maturity, all tranches of bonds would need to be paid pro rata and as a result some tranches might be paid earlier than expected.

50. Will there be any significant extension risk for DEF's nuclear asset-recovery bonds?

Answer: If structured and administered properly, and barring any extraordinary circumstance (e.g., hurricanes or other unique factors described generally in a risk factors section), there should not be any significant extension risk. DEF will likely disclose in the prospectus that extension risk is possible but is expected to be statistically remote.

51. What are the best comparable securities to use in determining the appropriate credit spread for DEF's proposed nuclear asset recovery bonds?

Answer: The following securities, in each instance taking into account the WAL and ratings: AAA-rated credit cards, AAA-rated prime auto loans, AAA-rated agency multi-family properties, AAA-rated conduit CMBS, AAA-rated corporates, and utility first mortgage bonds.

Each of these securities may trade tighter or wider than utility securitization, but such securities can still be used for general comparison purposes. Moreover, the comparable securities depend on what type of investor is being marketed to.

For the following questions, please refer to page 12, line 22, and page 13, line 17 of Mr. Collins' Direct Testimony, as well as page 19, line 10 of Mr. Buckler's Direct Testimony, re: the proposed nuclear asset-recovery bond transaction as being a "negotiated" transaction.

52. Please list the items that are to be negotiated, in order of importance to the ratepayer.

Answer: Price negotiations with investors (i.e. the interest rate on each tranche of bonds) are the most important items to be negotiated.

53. At what point in the transaction will the negotiations take place?

Answer: The pricing negotiations with investors take place once the transaction is announced.

54. Will all members of the Bond Team participate actively and visibly in these negotiations?

Answer: Yes.

For the following questions, please refer to page 13, line 3 of Mr. Collins' Direct Testimony, re: the underwriters engaging in a multi-step process which is designed to reveal the "market-clearing rate."

55. Please describe each step in this multi-step process. For each step, please describe the role DEF proposes will be played by the Commission's financial advisor and other members of the Bond Team.

Answer: My reference to a multi-step process is a reference to the indicative marketing process described in my direct testimony in Section VII. Marketing Process. In terms of how the Bond Team plays a role in this process, please see Mr. Buckler's rebuttal testimony, page 17 lines 14 through 21.

56. On page 13, line 3 of Mr. Collins' Direct Testimony, Mr. Collins refers to the "market clearing rate." What do you mean by "market-clearing rate"?

Answer: The market-clearing rate is the spread at which investors will purchase the bonds.

57. Please describe how the underwriters and other members of the Bond Team will decide whether to increase the credit spread to achieve the market-clearing rate.

Answer: One example of a circumstance under which the credit spread may be increased is described on page 36 of my direct testimony, lines 15 through 17: "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." Generally speaking, if there are not an equivalent amount of investor orders as bonds being offered, spreads may have to be increased to meet the market's level of demand.

58. Under what circumstances will the underwriters be asked to use their own capital to purchase a portion of a tranche of bonds in order to avoid increasing the credit spread for all bonds of that tranche?

Answer: When and whether an underwriter will decide to purchase bonds in a primary offering is based on the facts and circumstances in each particular transaction. Generally, an underwriter may decide to purchase bonds if (1) there is an unsold allotment (which can be due to lack of investor interest or unusual price variance for the offering) and the underwriter believes the investment is appropriate (in its sole discretion) or (2) an investor fails on its order to purchase the bonds and the underwriter completes the offering.

To the extent there are willing and able investors in the bonds, underwriters generally will not buy the bonds to avoid increasing the spread or to manipulate the re-offering levels.

During the RFP process, DEF proposes the Bond Team obtain an understanding of each prospective underwriter's position on this topic.

For the following questions, please refer to page 14, line 2 of Mr. Collins' Direct Testimony. Mr. Collins states that collateral for the proposed nuclear asset-recovery bonds will consist primarily of nuclear asset-recovery property.

59. Will that nuclear asset-recovery property be a receivable or a pool of receivables?

Answer: No, the nuclear asset-recovery property will not be a receivable or a pool of receivables, nor will they be marketed as such. The nuclear asset-recovery property are and will be marketed as a present property right authorized and created pursuant to the securitization statute and an irrevocable financing order.

60. Will that nuclear asset-recovery property be a financial asset?

Answer: This is another technical, legal question, and appears to relate directly to the question: are the nuclear asset-recovery bonds "asset-backed securities" under SEC regulations?

As stated in Mr. Collins's rebuttal testimony filed by DEF on September 14, 2015, there is little doubt that the SEC and other regulatory bodies consider utility securitizations to be "asset-backed securities" in a legal context under Item 1101(c) of Regulation AB.

That being said, "asset backed security" under Regulation AB is defined to include a security that is primarily serviced by the cash flows of discrete pool of receivables or "other financial assets…" (Subpart 229.1100 – Asset Backed Securities (Regulation AB), 17 C.F.R. §229.1101(c)(1)). The meaning of "other financial assets" is not defined under Regulation AB. However, in the final Regulation AB Release, the SEC stated that the definition of asset-backed security "allows broad flexibility as to types and structures that we believe should be subject to the alternative disclosure and regulatory regime that exists for asset-backed securities." (70 Fed Reg 1513 (January 7, 2005)). Further, Rule 3a-7 under the Investment Company Act also uses the term "financial asset" in the definition of "eligible asset." In the original SEC release adopting Rule 3a-7 release, the SEC stated that the definition of eligible asset "encompasses any self-liquidating asset which by its terms converts into one or more cash payments within a finite period of time. *Accordingly, virtually all assets that can be securitized (i.e., which produce cash flows of the type that may be statistically analyzed by rating agencies and*

investors) will meet the definition of eligible asset." (57 Fed Reg 56250 (November 27, 1992) *emphasis added*)

The foregoing statements from the SEC would appear to give broad meaning to the term "eligible asset" and appear to support the view that utility securitizations are, generally speaking, "asset-backed securities" within this context.

61. On page 33, line 19 and page 34, line 1 of Mr. Collins' Direct Testimony, Mr. Collins discuss target investors. Will the underwriters share with DEF, the Commission and its financial advisor a list of specific investors to be targeted?

Answer: While I cannot speak for other potential underwriters, due to the highly confidential and proprietary nature of an investment bank's client base, we will not share a specific list of investors to be targeted. However, as the likely primary considerations underlying this question are distribution capabilities and marketing strategy, we are more than happy to address each of those items in other ways. For example, we are happy to show our distribution capabilities through each of the channels that we would use for marketing. We are also happy to work collaboratively to develop a marketing strategy, and discuss the types of investors to be targeted, and the types of markets to be targeted.

During the RFP process, DEF proposes the Bond Team obtain an understanding of each prospective underwriter's position on this topic.

For the following questions, please refer to page 35, line 13 of Mr. Collins' Direct Testimony. Mr. Collins states that "[t]he 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."

62. How is this initial price guidance/credit spread determined?

Answer: The initial price guidance will be determined as a function of the initial feedback from investors following the announcement of the transaction. It further will take into account, at the time of marketing, a number of factors, including but not limited to: the general macro market environment, investor demand, where comparable securities are trading, and where new issue transactions have priced.

63. Will other members of the Bond Team and/or the Commission approve of the offering prices initially and at every stage thereafter?

Answer: Refer to Witness Buckler's rebuttal testimony regarding the role of the Bond Team. DEF expects all members of the Bond Team to be actively involved in the pricing of the nuclear asset-recovery bonds.

For the following questions, please refer to DEF's Response to Staff Interrogatory No. 11, from Staff's 2nd Set of Interrogatories to DEF, re: other utility securitization filings DEF reviewed in arriving at its estimate of upfront and ongoing issuance costs.

64. With respect to these other filings, did any have servicer setup costs similar to what DEF is anticipating?"

Answer: As evidenced in DEF's response to Staff Interrogatory No. 11, both of the transactions reviewed did include servicer setup costs. It should be noted that every utility company billing system is unique. The version of DEF's billing system, or Customer Service System (CSS), is a mainframe computer system that utilizes Cobol programming language. The system was the first installation of a Client/Server application at Florida Power Corp (subsequently DEF). The original architecture was designed with a limited number of fields for billing rates and kWh usage. Therefore, all new billing rates and kWh usages require many table structure and programming changes. The Information Technology project team has and will continue to look for cost savings through efficiencies as it works through the actual stages of the project calendar. The most recent projected estimate of total project cost is approximately $900,000 (down from the initial estimate of $1.9 million). DEF will continue to provide updated cost estimates through the completion of the project.

65. DEF answers that it reviewed two other utility securitization filings: the 2013 Appalachian Power deal and the 2014 Consumers Energy Company deal, both of which had completed prior securitized utility bond transactions and therefore "likely already had the infrastructure in place to bill, collect remit, and report on securitization charges at the time of their filing." Why did DEF not review the filings of any first-time issuers of securitized utility bonds if DEF believes they would be more comparable to the DEF situation? For example, why did DEF not review the 2006/2007 filings by Florida Power & Light Company (FPL) in connection with its securitized storm recovery bonds?

Answer: DEF's selection of the 2013 Appalachian Power Company and 2014 Consumers Energy Company transactions was primarily based on those being some of the larger, most recent public taxable transactions that would likely give insight into current market standards for upfront bond issuance and ongoing financing costs not necessarily for deals that would be directly comparable to DEF's proposed transaction. As noted above, every utility company billing system is unique so it is difficult to obtain a good comparable for servicer set-up costs.

66. Please refer to DEF's Response to Staff Interrogatory No. 15 from Staff's 2nd Set of Interrogatories to DEF. DEF states: "...the project team determined that labor hours and costs could be materially reduced by utilizing an available charge field in the billing system, and thus the total estimate for this IT project is now significantly lower than the above estimate [$1,898,000]." If the cost estimate is now lower, what is the latest cost estimate?

Answer: The most current estimate of the total project cost is approximately $900,000.

For the following questions, please refer to DEF's Response to Staff Interrogatory No. 21 from Staff's 2nd Set of Interrogatories to DEF, concerning credit spreads of other securitized utility bonds in 2007 and 2008 that sold before and after the FPL bonds. DEF states that "the weighted-average credit spread to mid-swaps [for the FPL transaction] was 6 basis points with a weighted average life of 7.15 years." DEF then states: "Given this context, I would say that the FPL transaction priced in line with the market."

67. Please provide the calculation showing that the weighted average credit spread to mid-swaps for the FPL transaction was 6 basis points with a weighted average life of 7.15 years.

Answer: The spread information for Classes A-1, A-2, A-3, and A-4 was sourced from IFR Markets. The weighted average life of 7.15 years and weighted average spread of 6 basis points are calculated as follows:

Weighted Average Life:

((124 * 1.97) + (140 * 4.98) + (100 * 7.31) + (288 * 10.38)) / (124 + 140 + 100 + 288)

Weighted Average Spread:

((124 * 1.97 * -1) + (140 * 4.98 * 2) + (100 * 7.31 * 5) + (288 * 10.38 * 8)) / ((124 * 1.97) + (140 * 4.98) + (100 * 7.31) + (288 * 10.38))

The calculation for Weighted Average Spread above is a WAL-weighted average. The non-WAL-weighted (i.e. only size-weighted) average spread is Swaps + 5.

68. If the correct weighted average credit spread for the FPL transaction was -2 basis points with a weighted average life of 7.15 years, would that change DEF's conclusion that "the FPL transaction priced in line with the market"?

Answer: It appears that the -2 basis points pricing level corresponds to the coupons resulting from the competitive bid process. However, our analysis was based off the credit spreads as disclosed in IFR Markets.

AFFIDAVIT

STATE OF FLORIDA)

COUNTY OF PINELLAS)

I hereby certify that on this 24th day of September, 2015, before me, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared MARCIA OLIVIER, who is personally known to me, and she acknowledged before me that she provided the answer to interrogatory number 44 from STAFF'S FIFTH SET OF INTERROGATORIES TO DUKE ENERGY FLORIDA, LLC (NOS. 44-68) in Docket Nos. 150171-EI and 150148-EI, and that the responses are true and correct based on her personal knowledge.

In Witness Whereof, I have hereunto set my hand and seal in the State and County aforesaid as of this 24th day of September, 2015.

Marcia Olivier

Sarah Hirschman Libes
NOTARY PUBLIC
STATE OF FLORIDA
Comm# FF106231
Expires 3/23/2018

Notary Public
State of Florida, at Large

My Commission Expires:
3/23/2018

AFFIDAVIT

STATE OF NEW YORK)
)
COUNTY OF NEW YORK)

Before me, the undersigned authority, on this 25th day of September, 2015, personally appeared **PATRICK COLLINS**, who

(✓) is personally known to me, or

( ) produced _____ as identification and who, acknowledged before me that he reviewed and approved the answers to Interrogatory Numbers 46, 47, 49 through 53, 55 through 60, 62, 67, and 68 of Staff's Fifth Set of Interrogatories to Duke Energy Florida, LLC (Nos. 44-68) in Docket No. 150171-EI and the responses are true and correct to the best of his knowledge.

In Witness Whereof, I have hereunto set my hand and seal in the State and County aforesaid as of this 25th day of September, 2015.

Patrick Collins

Notary Public
State of New York

My commission Expires:

KIMBERLY MARIE SAVAGE
Notary Public, State of New York
No. 01SA6303623
Qualified in New York County
Commission Expires May 19, 2018

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Late-filed Exhibit 9 – Updated Exhibit No. BB-1 to Deposition of Bryan Buckler

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET: 150148-EI EXHIBIT: 79
PARTY: STAFF – (DIRECT)
DESCRIPTION: Bryan Buckler Staff'sExhibit #79

Estimated Up-front Nuclear Asset-Recovery Bond Issuance Costs

Line No.	Description	Lower End of Range	(1) Estimate as of September 30, 2015	Upper End of Range
1	Underwriting Fees and Expenses	$ 4,778,848	$ 5,178,848	$ 6,473,560
2	Servicer Set-up Fees (including Information Technology Programming	900,000	900,000	2,900,000
3	Legal Fees	1,900,000	2,300,000	2,700,000
4	Rating Agency Fees	1,128,500	1,564,250	2,000,000
5	Commission Financial Advisor Fee	500,000	850,000	1,200,000
6	DEF Structuring Advisor Fee	400,000	400,000	600,000
7	Auditor Fees	170,000	212,500	255,000
8	SEC Fees	150,446	150,446	150,446
9	SPE Set-up Fee	20,000	60,000	100,000
10	Marketing and Miscellaneous Fees and Expenses - to be determined	-	45,000	90,000
11	Printing/Edgarizing Fee	20,000	25,000	30,000
12	Trustee/Trustee Counsel Fees and Expenses	10,000	17,500	25,000
13	Original Issue Discount - to be determined	-	-	-
14	Other Ancillary Agreements - to be determined	-	-	-
	Total	$ 9,977,794	$ 11,703,544	$ 16,524,006
	Estimated CR3 Regulatory Asset, as of 12/31/15	$ 1,283,012,000		
	Estimated carrying costs subsequent to 12/31/15 to bond issuance date	TBD		
	Estimated Up-front Bond Issuance Costs Included in Proposed Structure (approximates current best estimate)	11,700,000		
	Estimated Principal Amount of Nuclear Asset-Recovery Bonds	$ 1,294,712,000		

(1) Estimate for Underwriting Fees and Expenses is based on 40 bps, with no crediting of Morgan Stanley structuring advisor fee.
Items 3, 4, 5, 7, 9, 10, 11, and 12 are based on the average of the lower end and higher end estimates as submitted in July 2015.
Items 2, 6, and 8 can be more accurately estimated as of 9/30/2015 and thus reflect current best estimates.

Estimated Annual Ongoing Financing Costs

Line No.	Description	Lower End of Range	Upper End of Range
1	Servicing Fee [1]	$ 647,356	$ 7,768,272
2	Return on Invested Capital	238,227	238,227
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	$ 1,155,116	$ 8,391,832
	Amount used in developing annual revenue requirement estimates, as an approximation of the lower end of the range (i.e. continually evolving estimate) - $575,000 semi-annually	$ 1,150,000	

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

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Late-filed Exhibit 10 – Updated Exhibit No. PC-1 to Deposition of Bryan Buckler

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET: 150148-EI EXHIBIT: 80
PARTY: STAFF – (DIRECT)
DESCRIPTION: Bryan Buckler Staff'sExhibit #80

Preliminary Capital Structure (1)(2)(3)(4)(5)

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	135,000,000	2.0	AAA	1.240%	10/1/2016	4/1/2019	31	4/1/2020
A-2	190,110,000	5.0	AAA	2.280%	4/1/2019	10/1/2022	43	10/1/2023
A-3	412,270,000	10.0	AAA	3.200%	10/1/2022	4/1/2029	79	4/1/2030
A-4	557,332,000	16.7	AAA	3.740%	4/1/2029	10/1/2035	79	10/1/2037
Total	**1,294,712,000**	**11.3**		**3.406%**				

Key Items & Assumptions

Servicing Fee	647,356
Other Ongoing Expenses	502,644
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	10/1/2035
Securitization Legal Final	10/1/2037
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 and no collections for the first month of the transaction
4. Total deal size is an estimate and subject to change based on the ongoing discussions between DEF and the Commission
5. Structure is based on the estimated December 31, 2015 regulatory asset balance per the August 31, 2015 stipulation. Upfront and ongoing financing costs are based on the updated Exhibit BB-1 filed in early October 2015. Expense amounts are estimates and subject to change

Morgan Stanley

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	1,294,712,000			1,294,712,000			
1	10/1/2016	1,294,712,000	30,034,024	15,605,068	1,279,106,932	862,500	46,501,592	46,501,592
2	4/1/2017	1,279,106,932	19,925,931	24,046,220	1,255,060,712	575,000	44,547,151	
3	10/1/2017	1,255,060,712	19,776,844	28,578,209	1,226,482,503	575,000	48,930,053	93,477,204
4	4/1/2018	1,226,482,503	19,599,660	24,366,450	1,202,116,053	575,000	44,541,110	
5	10/1/2018	1,202,116,053	19,448,588	28,912,507	1,173,203,546	575,000	48,936,094	93,477,204
6	4/1/2019	1,173,203,546	19,269,330	24,663,664	1,148,539,883	575,000	44,507,994	
7	10/1/2019	1,148,539,883	19,058,320	29,335,890	1,119,203,993	575,000	48,969,210	93,477,204
8	4/1/2020	1,119,203,993	18,723,891	25,399,704	1,093,804,289	575,000	44,698,595	
9	10/1/2020	1,093,804,289	18,434,334	29,769,274	1,064,035,014	575,000	48,778,609	93,477,204
10	4/1/2021	1,064,035,014	18,094,965	25,608,250	1,038,426,764	575,000	44,278,215	
11	10/1/2021	1,038,426,764	17,803,031	30,820,958	1,007,605,806	575,000	49,198,989	93,477,204
12	4/1/2022	1,007,605,806	17,451,672	26,424,347	981,181,459	575,000	44,451,019	
13	10/1/2022	981,181,459	17,150,434	31,300,751	949,880,708	575,000	49,026,185	93,477,204
14	4/1/2023	949,880,708	16,702,888	27,095,916	922,784,792	575,000	44,373,804	
15	10/1/2023	922,784,792	16,269,353	32,259,047	890,525,745	575,000	49,103,400	93,477,204
16	4/1/2024	890,525,745	15,753,208	28,171,026	862,354,718	575,000	44,499,235	
17	10/1/2024	862,354,718	15,302,472	33,100,497	829,254,221	575,000	48,977,969	93,477,204
18	4/1/2025	829,254,221	14,772,864	28,969,109	800,285,112	575,000	44,316,973	
19	10/1/2025	800,285,112	14,309,358	34,275,873	766,009,239	575,000	49,160,231	93,477,204
20	4/1/2026	766,009,239	13,760,944	30,066,796	735,942,443	575,000	44,402,741	
21	10/1/2026	735,942,443	13,279,875	35,219,588	700,722,855	575,000	49,074,463	93,477,204
22	4/1/2027	700,722,855	12,716,362	31,068,365	669,654,490	575,000	44,359,728	
23	10/1/2027	669,654,490	12,219,268	36,323,208	633,331,282	575,000	49,117,476	93,477,204
24	4/1/2028	633,331,282	11,638,097	32,268,297	601,062,985	575,000	44,481,394	
25	10/1/2028	601,062,985	11,121,804	37,299,006	563,763,979	575,000	48,995,810	93,477,204
26	4/1/2029	563,763,979	10,525,020	33,201,749	530,562,229	575,000	44,301,770	
27	10/1/2029	530,562,229	9,921,514	38,678,921	491,883,308	575,000	49,175,434	93,477,204
28	4/1/2030	491,883,308	9,198,218	34,617,759	457,265,549	575,000	44,390,977	
29	10/1/2030	457,265,549	8,550,866	39,960,361	417,305,188	575,000	49,086,227	93,477,204
30	4/1/2031	417,305,188	7,803,607	35,970,966	381,334,222	575,000	44,349,573	
31	10/1/2031	381,334,222	7,130,950	41,421,681	339,912,541	575,000	49,127,631	93,477,204
32	4/1/2032	339,912,541	6,356,365	37,541,959	302,370,582	575,000	44,473,324	
33	10/1/2032	302,370,582	5,654,330	42,774,550	259,596,032	575,000	49,003,880	93,477,204
34	4/1/2033	259,596,032	4,854,446	38,874,768	220,721,264	575,000	44,304,214	
35	10/1/2033	220,721,264	4,127,488	44,470,503	176,250,761	575,000	49,172,990	93,477,204
36	4/1/2034	176,250,761	3,295,889	40,517,292	135,733,469	575,000	44,388,181	
37	10/1/2034	135,733,469	2,538,216	45,975,807	89,757,662	575,000	49,089,023	93,477,204
38	4/1/2035	89,757,662	1,678,468	42,106,685	47,650,977	575,000	44,360,153	
39	10/1/2035	47,650,977	891,073	47,650,977	-	575,000	49,117,051	93,477,204

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initial supplemental comments were filed by Ohio Power and Staff. On January 18, 2013, Supplemental Reply Comments were filed by Ohio Power and OCC.

(5) The proposed securitization transaction, as discussed and amended by this Financing Order, results in, consistent with market conditions, both measurably enhancing cost savings to customers and mitigating rate impacts to customers as compared with previously approved recovery methods.

(6) The proposed securitization transactions, as set forth in this Financing Order, are consistent with Section 4928.02, Revised Code.

ORDER:

It is, therefore,

ORDERED, That the application be approved consistent with the conditions set forth in this Financing Order. It is, further,

ORDERED, That, consistent with this Financing Order, within ninety days after the date of the PIR Bond issuance, Ohio Power make a final reconciliation filing in 11-352 in order to address the remaining deferral balance of the DARR. It is, further,

ORDERED, That Ohio Power be authorized to enter into transactions for the issuance of PIR Bonds and to assess and collect PIR Charges, as set forth in this Financing Order. It is, further,

ORDERED, That Ohio Power file the applicable SPE agreement in accordance with the terms of this Financing Order. It is, further,

ORDERED, That Ohio Power file its Issuance Advice Letter with the accompanying certification consistent with this Financing Order. It is, further,

ORDERED, That Ohio Power retain a financial advisor on behalf of the Commission consistent with this Order. It is, further,

ORDERED, That, concurrent with the filing of the Issuance Advice Letter, the Commission's financial advisor shall file its attestation consistent with this Order. It is, further,

Lawriter - ORC - 4928.232 Proceedings; review of application; disposition.

4928.232 Proceedings; review of application; disposition.

(A) Proceedings before the public utilities commission on an application submitted by an electric distribution utility under section 4928.231 of the Revised Code shall be governed by Chapter 4903. of the Revised Code, but only to the extent that chapter is not inconsistent with this section or section 4928.233 of the Revised Code. Any party that participated in the proceeding in which phase-in costs were approved under section 4909.18 or sections 4928.141 to 4928.144 of the Revised Code or section 4928.14 of the Revised Code as it existed prior to July 31, 2008, shall have standing to participate in proceedings under sections 4928.23 to 4928.2318 of the Revised Code.

(B) When reviewing an application for a financing order pursuant to sections 4928.23 to 4928.2318 of the Revised Code, the commission may hold such hearings, make such inquiries or investigations, and examine such witnesses, books, papers, documents, and contracts as the commission considers proper to carry out these sections. Within thirty days after the filing of an application under section 4928.231 of the Revised Code, the commission shall publish a schedule of the proceeding.

(C)

(1) Not later than one hundred thirty-five days after the date the application is filed, the commission shall issue either a financing order, granting the application in whole or with modifications, or an order suspending or rejecting the application.

(2) If the commission suspends an application for a financing order, the commission shall notify the electric distribution utility of the suspension and may direct the electric distribution utility to provide additional information as the commission considers necessary to evaluate the application. Not later than ninety days after the suspension, the commission shall issue either a financing order, granting the application in whole or with modifications, or an order rejecting the application.

(D)

(1) The commission shall not issue a financing order under division (C) of this section unless the commission determines that the financing order is consistent with section 4928.02 of the Revised Code.

** (2) Except as provided in division (D)(1) of this section, the commission shall issue a financing order under division (C) of this section if, at the time the financing order is issued, the commission finds that the issuance of the phase-in-recovery bonds and the phase-in-recovery charges authorized by the order results in, consistent with market conditions, both measurably enhancing cost savings to customers and mitigating rate impacts to customers as compared with traditional financing mechanisms or traditional cost-recovery methods available to the electric distribution utility or, if the commission previously approved a recovery method, as compared with that recovery method.

(E) The commission shall include all of the following in a financing order issued under division (C) of this section:

(1) A determination of the maximum amount and a description of the phase-in costs that may be recovered through phase-in-recovery bonds issued under the financing order;

(2) A description of phase-in-recovery property, the creation of which is authorized by the financing order;

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET: 150148-EI EXHIBIT: 82
PARTY: DUKE ENERGY FLORIDA, INC.
(DEF) – (REBUTTAL)
DESCRIPTION: Bryan Buckler BB-4

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Ohio Power Company for Authority to Issue Phase-In-Recovery Bonds and Impose, Charge and Collect Phase-In – Recovery Charges and For Approval of Tariff and Bill Format Changes	))))))	Case No. **12-1969-EL-ATS**

ISSUANCE ADVICE LETTER FOR OHIO POWER COMPANY'S PHASE-IN-RECOVERY BONDS

Pursuant to the Financing Order issued *In the Matter of the Application of Ohio Power Company for Authority to Issue Phase-in-Recovery Bonds and Impose, Charge and Collect Phase-in-Recovery Charges for Tariff and Bill Format Changes in Case No. 12-1969-EL-ATS (the Financing Order),* Applicant hereby submits, no later than the close of business on the second business day after the pricing of this series of Senior Secured Phase-In-Recovery Bonds ("PIR Bonds"), the information referenced below. The issuance Advice Letter is for the PIR Bonds tranches A-1 and A-2. Any capitalized terms not defined in this letter shall have the meanings ascribed to them in the Financing Order.

PURPOSE:

This filing establishes the following:

(a) The total amount of Phase-In Costs and Upfront Financing Costs being securitized;
(b) Confirmation of compliance with issuance standards;
(c) The actual terms and structure of the PIR Bonds being issued;
(d) Together with the concurrent tariff filing being made by the Applicant, the initial Phase-In-Recovery Charges for retail users; and
(e) The identification of the Special Purpose Entity (SPE)

PHASE-IN RECOVERY COSTS BEING SECURITIZED:

The total amount of Phase-In Costs and Upfront Financing Costs being securitized (the amount of the PIR Bonds) is presented in Attachment-1, Schedule A.

COMPLIANCE WITH ISSUANCE STANDARDS

The Financing Order requires Applicant to confirm, using the methodology approved therein, that the actual terms of the PIR Bonds result in compliance with the standards set forth in the Financing Order. These standards are:

1. The total amount of Phase-In Recovery Charge revenues to be collected under the Financing Order is less than the revenue requirement that would be recovered using the existing cost recovery mechanism of the Applicant (the Deferred Asset Recovery Rider ("DARR") authorized by the Commission on December 14, 2011. Case Nos. 11-351-EL-AIR and 11-352-EL-AIR.) (See Attachment 2, Schedule C and D);

2. The present value of the revenues to be billed under the Financing Order will not exceed the present value of revenue that would be expected to be billed using the existing cost recovery method of the Applicant; (See Attachment 2, Schedule D);

3. The PIR Bonds will be issued in one series comprised of two tranches having an expected scheduled final payment date no later than 6.71 years from the date of issuance and a legal final maturity not exceeding 7.71 years from the date of issuance of such series (See Attachment 2, Schedule A); and

4. The structuring and pricing of the PIR Bonds is certified by the Applicant to result in the Phase-In-Recovery Charges as of the date of issuance consistent with market conditions and the terms set out in this Financing Order (See Attachment 3) that demonstrates both measurably enhanced cost savings to customers and mitigates rate impacts to customers as compared with Applicant's existing cost recovery methods previously approved by the Commission.

ACTUAL TERMS OF ISSUANCE

PIR Bond Series: Senior Secured Phase-In-Recovery Bonds, Tranches A-1 and A-2
PIR Bond Issuer (SPE): Ohio Phase-In-Recovery Funding LLC

Trustee: U.S. Bank National Association

Closing date: August 1, 2013

Bond ratings: S&P AAA, Moody's Aaa

Amount Issued: $ 267,408,000

PIR Bond Issuance Costs (upfront financing costs): See Attachment 1, Schedule B

PIR Bond Support and Servicing (ongoing financing costs): See Attachment 2, Schedule B

Tranche	Coupon Rate	Expected Final Maturity	Legal Final Maturity
A-1	0.9580%	07/1/2017	07/01/2018
A-2	2.0490%	07/1/2019	07/01/2020

Effective Annual Weighted Average Interest Rate of the PIR Bonds	1.58%
Life of Series:	5.92 years
Weighted Average Life of Series:	3.34 years
Call Provisions (including premium, if any):	Not callable
Target Amortization Schedule:	Attachment 2, Schedule A
Expected Final Maturity Date:	See above
Legal final Maturity Date:	See above
Payments to Investors:	Semiannually Beginning July 1, 2014
Initial annual Servicing Fee as a percent of original PIR Bond principal balance:	0.10%

INITIAL PHASE-IN RECOVERY CHARGES

Table I below shows the current assumptions for each of the variables used in the calculation of the initial Phase-In Recovery Charges

TABLE I	
Input Values For Initial Phase-In Recovery Charges	
Applicable period: from August 1, 2013 to July 1, 2014	
Forecasted retail kWh sales for the applicable period:	41,973,915,178
PIR Bond debt service for the applicable period:	$38,309,931
Percent of billed amounts expected to be charged-off	0.28%
Forecasted % of retail kWh sales billed and collected in the Applicable Period (%):	89.71%
Forecasted retail kWh sales billed and collected for the applicable period:	37,652,792,497
Current PIR Bond outstanding balance:	$267,408,000
Target PIR Bond outstanding balance as of 7/1/2014	$232,471,522
Total Periodic Billing Requirement for applicable period:	$39,234,350

The Applicant submits this Issuance Advice Letter to the Commission in compliance with the Financing Order of March 20, 2013 and Entry on Rehearing of April 10, 2013 in Case No. 12-1969-EL-ATS to permit the issuance of the PIR Bonds on August 1, 2013.

July 24, 2013

Respectfully submitted,

/s/ Steven T. Nourse
Steven T. Nourse
American Electric Power Service Corp.
1 Riverside Plaza, 29th Floor
Columbus, OH 43215
Tel: (614) 716-1915
Email: stnourse@aep.com

Counsel for Ohio Power Company

Cc: Parties of Record

ATTACHMENT-1
SCHEDULE-A

TOTAL AMOUNT SECURITIZED

Amount permitted to be Securitized by Financing Order	$298,018,000
Phase-In-Costs	$263,667,605
Upfront Financing Costs	$3,740,395
TOTAL AMOUNT SECURITIZED	**$267,408,000**

ATTACHMENT-1
SCHEDULE-B

ESTIMATED UP-FRONT FINANCING COSTS

		AMOUNT
1	Underwriters' Fees	$ 903,132
2	Legal Fees	$1,674,500
3	Rating Agency Fees	$ 300,000
4	Company Advisor Fees & Expenses	$ 50,000
5	Printing/Edgarizing	$ 20,000
6	SEC Registration Fees	$ 37,919
7	Miscellaneous Administration Costs	$ 75,844
8	Accountant Fees	$ 170,000
9	Trustee's Fees	$ 9,000
10	Financial Advisor's Fees	$ 500,000
10	**TOTAL UP-FRONT FINANCING COSTS**	$3,740,395

ATTACHMENT-2
SCHEDULE-A

PIR BOND REVENUE REPAYMENT SCHEDULE

Tranche A-1				
Payment Date	Principal Balance ($)	Interest ($)	Principal ($)	Total Payment ($)
8/1/13	164,900,000			
7/1/14	129,963,522	1,448,097	34,936,478	36,384,575
1/1/15	107,763,420	622,525	22,200,102	22,822,628
7/1/15	84,536,959	516,187	23,226,461	23,742,648
1/1/16	61,790,651	404,932	22,746,308	23,151,240
7/1/16	38,672,593	295,977	23,118,058	23,414,035
1/1/17	16,232,132	185,242	22,440,461	22,625,702
7/1/17	-	77,752	16,232,132	16,309,884
1/1/18	-	-	-	-
7/1/18	-	-	-	-
1/1/19	-	-	-	-
7/1/19	-	-	-	-
1/1/20	-	-	-	-
7/1/20	-	-	-	-
Total		**3,550,712**	**164,900,000**	**168,450,712**

Amounts rounded to the nearest dollar

Tranche A-2				
Payment Date	Principal Balance ($)	Interest ($)	Principal ($)	Total Payment ($)
8/1/13	102,508,000			
7/1/14	102,508,000	1,925,357	-	1,925,357
1/1/15	102,508,000	1,050,194	-	1,050,194
7/1/15	102,508,000	1,050,194	-	1,050,194
1/1/16	102,508,000	1,050,194	-	1,050,194
7/1/16	102,508,000	1,050,194	-	1,050,194
1/1/17	102,508,000	1,050,194	-	1,050,194
7/1/17	94,878,311	1,050,194	7,629,689	8,679,883
1/1/18	72,047,744	972,028	22,830,568	23,802,596
7/1/18	47,922,805	738,129	24,124,939	24,863,068
1/1/19	24,586,670	490,969	23,336,135	23,827,104
7/1/19	-	251,890	24,586,670	24,838,560
1/1/20	-	-	-	-

7/1/20	-	-	-	-
Total		**10,679,540**	**102,508,000**	**113,187,540**

Amounts rounded to the nearest dollar

ATTACHMENT-2
SCHEDULE-B

ONGOING FINANCING COSTS

	ANNUAL AMOUNT
Ongoing Servicer Fee (Applicant as Servicer)[1] (0.10% of initial principal balance of the bonds)	$267,408
Administration Fees	$50,000
Accountants Fees	$75,000
Legal Fees	$45,000
Trustee's Fees & Expenses	$3,000
Independent Managers Fees	$5,000
Rating Agency Fees	$35,000
Printing/EDGAR expenses	$2,500
Return on Capital Account[2]	$71,398
Miscellaneous	$26,602
TOTAL ONGOING FINANCING COSTS	$580,908

Note: The amounts shown for each category of operating expense on this attachment are the expected expenses for the first year of the PIR bonds. Phase-In Recovery Charges will be adjusted at least annually to reflect any changes in Ongoing Financing Costs through the true-up process described in the Financing Order, subject to the adjustment for such Ongoing Financing Costs in any year not exceeding 105% of an amount equal to the total of such costs estimated in the application for the Financing Order.

[1] Assumes Applicant will act as Servicer for the life of the PIR Bonds. If in the future a third party that is not an EDU acts as servicer for the PIR Bonds, the servicing fee may be increased up to 0.75% of the initial principal balance of the PIR Bonds in accordance with the Financing Order.

[2] Applicant funded capital subaccount in an amount equal to 0.50% of the PIR Bond issuance amount and earns an annual rate of return of 5.34% thereon.

ATTACHMENT-2

SCHEDULE-C

SUMMARY OF PHASE-IN RECOVERY CHARGES

Year	PIR Bond Payment[1] ($)	Ongoing Financing Costs[2] ($)	Total nominal Phase-In Recovery Charge Requirement[3] ($)	Present Value of Phase-In Recovery Charges[4] ($)
0.0				
0.9	38,309,931	532,499	39,234,350	37,384,072
1.4	23,872,822	290,454	24,407,084	22,651,265
1.9	24,792,842	290,454	25,336,386	22,902,226
2.4	24,201,434	290,454	24,739,012	21,780,698
2.9	24,464,230	290,454	25,004,458	21,441,904
3.4	23,675,897	290,454	24,208,171	20,219,216
3.9	24,989,767	290,454	25,535,299	20,773,023
4.4	23,802,596	290,454	24,336,149	19,282,665
4.9	24,863,068	290,454	25,407,321	19,607,875
5.4	23,827,104	290,454	24,360,904	18,311,397
5.9	24,838,560	290,454	25,382,566	18,583,180
6.4	-	-	-	-
6.9	-	-	-	-
Total	281,638,252	3,437,039	287,951,701	242,937,520

Amounts rounded to the nearest dollar

[1] From Attachment 2, Schedule A

[2] From Attachment 2, Schedule B

[3] Sum of PIR Bond payments and ongoing financing costs and taxes owed.

[4] The discount rate used is the weighted average cost of debt for Ohio Power.

ATTACHMENT-2
SCHEDULE-D

COMPLIANCE WITH THE NOMINAL AND PRESENT VALUE STANDARD[1]

	Existing DARR Rate ($)[2]	Securitization Financing ($)	Savings/(Cost) of Securitization Financing ($)
Nominal	306,550,309	287,951,701	18,598,608
Present Value	266,766,198	242,937,520	23,828,678

[1] Calculated in accordance with the methodology used in the Application

[2] Carrying costs at 5.34%

ATTACHMENT-3

CERTIFICATION OF COMPLIANCE

Ohio Power Company
1 Riverside Plaza
Columbus, OH 43215

Date: July 24, 2013

Re: Application of Ohio Power Company, Case No. 12-1969-EL-ATS

Applicant, Ohio Power Company, submits this Certification pursuant to the Financing Order *In the Matter of the Application of Ohio Power Company for Authority to Issue Phase-in-Recovery Bonds and Impose, Charge and Collect Phase-in-Recovery Charges for Tariff and Bill Format Changes in Case No. 12-1969-EL-ATS (the Financing Order).* All capitalized terms not defined in this letter shall have the meanings ascribed to them in the Financing Order and the Issuance Advice Letter referenced herein.

In its Issuance Advice Letter dated July 24, 2013, the Applicant has set forth the following particulars of the PIR Bonds:

Name of PIR Bonds: Senior Secured Phase-In-Recovery Bonds
PIR Bond Issuer: Ohio Phase-In-Recovery Funding LLC
Trustee: U.S. Bank National Association
Closing date: August 1, 2013
Amount Issued: $ 267,408,000

Expected Amortization Schedule: See Attachment 2, Schedule A to the Issuance Advice Letter
Distributions to Investors: Semi-annually on January 1 and July 1
Weighted Average Coupon Rate: 1.58%
Weighted Average Yield: 1.59%
Expected Final Maturity (Tranche A-1): July 1, 2017
Expected Final Maturity (Tranche A-2): July 1, 2019
Legal Final Maturity (Tranche A-1): July 1, 2018
Legal Final Maturity (Tranche A-2): July 1, 2020
Estimated NPV Savings of: $ 23,828,678

The following actions were taken in connection with the design, structuring and pricing of the PIR Bonds:

- Included credit enhancement in the form of the true-up mechanism and an equity contribution of 0.50% of the original principal amount of the PIR Bonds to be deposited in the capital subaccount.
- Registered the PIR Bonds with the Securities and Exchange Commission to facilitate greater liquidity.
- Achieved preliminary Aaa/AAA ratings from the two major rating agencies with final Aaa/AAA as a condition to closing.
- Selection of underwriters that have relevant experience and execution capabilities was affirmed by the Company, the Commission Staff and the Commission's Financial Advisor.
- The marketing presentations were developed to emphasize the strong credit quality and security related to these bonds, and provides relative value analysis to other competing securities.
- Provided the termsheet and preliminary prospectus by e-mail to prospective investors.
- Allowed sufficient time for investors to review the termsheet and preliminary prospectus and to ask questions regarding the transaction.
- Ensured that the offering materials and investor presentation materials describe the legislative, political and regulatory framework and the bond structure with a focus on corporate/agency/other crossover buyers specifically targeted to achieve the transaction objectives, and held telephone one-on one conference calls with potential investors to discuss and answer questions.
- Arranged issuance of rating agency pre-sale reports during the marketing period.
- During the period that the bonds were marketed, held daily market update discussions with the underwriting team, the Commission's designated representative(s) and Commission's Financial Advisor to develop recommendations for pricing.
- Developed and implemented a marketing plan designed to encourage each of the underwriters to aggressively market the PIR Bonds to their customers and to reach out to a broad base of potential investors, including investors who have not previously purchased this type of security.
- Provided potential investors with access to an internet roadshow for viewing on repeated occasions at investors' convenience.

- Adapted the PIR Bonds offering to market conditions and investor demand at the time of pricing within the constraints set by the Financing Order. Variables impacting the final structure of the transaction were evaluated including the length of average lives and maturity of the bonds and interest rate requirements at the time of pricing so that the structure of the transaction would correspond to investor preferences and rating agency requirements for AAA ratings.

- Worked with the Commission's Financial Advisor to develop underwriter compensation and preliminary price guidance designed to achieve lowest possible interest rates.

Based upon the information reasonably available to the officers, agents, and employees of the Applicant, the Applicant hereby certifies that the structuring and pricing of the PIR Bonds, as described in the Issuance Advice Letter, will result in the Phase-In-Recovery Charges as of the date of issuance, consistent with market conditions and the terms set out in the Financing Order that both measurably enhances cost savings to customers and mitigates rate impacts to customers as compared with the DARR cost recovery methods previously approved for the Applicant.

The forgoing certifications do not mean that lower Phase-In-Recovery charges could not have been achieved under different market conditions, or that structuring and pricing the PIR Bonds under conditions not permitted by the Financing Order could not also have achieved lower Phase-In-Recovery Charges.

Applicant is delivering this Certification to the Commission solely to assist the Commission in establishing compliance with the aforementioned standard. Applicant specifically disclaims any responsibility to any other person for the contents of this Certification, whether such person claims rights directly or as third-party beneficiary.

Respectfully submitted,

OHIO POWER COMPANY

By: /s/ Renee V. Hawkins
Name: Renee V. Hawkins
Title: Assistant Treasurer

we energies

231 W. Michigan Street
Milwaukee, WI 53203
www.we-energies.com

Filed Electronically

October 9, 2006

Mr. Eric Callisto, Executive Assistant
Public Service Commission of Wisconsin
610 North Whitney Way
Madison WI 53707-7854

RE: 6630-ET-100 Application of Wisconsin Electric Power Company for a Financing Order Authorizing the Issuance of Environmental Trust Bonds and for the Approval of Related Affiliated Interest Agreements

Dear Eric:

I wish to express my appreciation to you, Dave Gilles and others at the Public Service Commission of Wisconsin ("Commission") for your efforts to assist the Company in making a filing under the Environmental Trust Financing ("ETF") law. I regret that our collective efforts will not result in an issuance.

The law and the Commission's Financing Order, dated October 12, 2004, established a new and as yet untested way of issuing debt in Wisconsin. We were the first to attempt a securities issuance under the new law, and first efforts by their very nature carry significant challenges.

While federal regulations clearly hold the Company, its officers, as well as its directors responsible for all representations to investors, the Financing Order anticipated a collaborative process among the Commission, its consultant and the Company where all parties had a major role. Despite our mutual efforts to reconcile a situation where parties have significant input but not equal liability, we were unable to do so. It may be that such a structure is ultimately irreconcilable. A lesson learned from this process is that the strict liability of the Company, its officers, and directors must be taken into account in the future.

Thomas Edison, arguably the father of the electric utility industry, once described his unsuccessful attempts to develop a workable light bulb by saying "I have not failed. I've just found 10,000 ways that won't work." I hope that the lessons we have all learned over the past several months may in some way assist in any potential efforts to issue ETF bonds in the future.

Kindest regards,

Roman A. Draba, Vice President
Regulatory Affairs and Policy

cc: D. Gilles, R. Norcross, D. Sapper, C.O'Connor

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET: 150148-EI EXHIBIT: 84
PARTY: DUKE ENERGY FLORIDA, INC. (DEF) – (REBUTTAL)
DESCRIPTION: Bryan Buckler BB-6

COMPOSITE EXHIBIT OF DEF's ANSWERS TO STAFF'S INTERROGATORIES REFERENCED IN THIS TESTIMONY

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23. Please refer to Exhibit PC-2. Please identify every transaction on this list in which the sponsoring utility was held responsible for a federal security law liability. Please also identify any transaction in which DEF believes there was a potential securities law violation.

Answer: Neither DEF nor Morgan Stanley is aware of any situation in which a sponsoring utility was held responsible for a federal security law violation. However, we believe it is irrelevant whether any of the sponsoring utilities in other transactions have been held responsible for federal securities law violations. The key consideration is that federal securities law liability exists. DEF, as well as Morgan Stanley, take the existence of federal securities law liability seriously and would never deem it to be immaterial simply because we are not aware of any violations for similar transactions to date.

10. Are the setup costs that DEF seeks to recover only incremental costs that are not currently recovered by any other cost recovery mechanism? If not, please explain your rationale for not using incremental costs.

Answer: DEF considers these costs to be incremental to DEF. Specifically, Servicer Set-up Fees (Line 2) include amounts DEF expects to incur to modify its existing information technology system to bill, collect, remit, and report on nuclear asset-recovery charges. The work is performed by Duke Energy Business Services (service company) employees and contractors who are shared amongst and charged to all of the Duke Energy affiliates. The SPE Set-up Fees (Line 9) include the costs of establishing the SPE as well as estimated costs of the SPE's Delaware legal counsel. These costs are also incremental and are not currently recovered by any other cost recovery mechanism.

15. Please refer to Buckler Direct, page 20, lines 16-22. Please identify the costs proposed for the informational technology program modifications listed on line 2 of Exhibit BB-1, page 1 of 2. How was this estimate developed and will DEF perform the work?

Answer:

The chart below identifies the estimated costs, as of earlier in 2015, for the information technology program modifications at each stage of the project.

Project Stage	Estimated Cost (in thousands)
Analysis & Design	$544
Build & Unit Test	257
Component Test	121
Product Acceptance Test	355
User Acceptance Test	166
Integrated Regression Test	38
Deployment & Warranty	416
Total	**$1,898**

The project estimate was developed by determining the project scope, and then gathering the business and functional requirements. After the business and functional requirements are determined, the Informational Technology team evaluates the impacts and estimates the hours to complete the project for both Information Technology and Business Units. A blended hourly rate factor and the total estimated labor hours are used to calculate the estimated cost for the project. Duke Energy and its contractors are performing all work to the billing system and interfaces.

The project teams consists of 9 Duke Energy Business Services (service company) employees, which are shared resources among all of the jurisdictions, and 4 outside contractors. The projects that the service company employees would have been tasked to work on cross all of the affiliated entities.

The **analysis & design** stage is to document the inventory of impacted items such as reports, interfaces, programs, files and databases. Initially 121 impact items were identified such as batch processing, general ledger interface, code table, on-line query

tool, on-line dialog, databases, report generators and reports. Screen mock ups and report mock ups are created and interface files are defined to the field level. Design documents are developed that narrate the data flows or work flows. While performing the detailed inventory analysis, the project team determined that labor hours and costs could be materially reduced by utilizing an available charge field in the billing system, and thus the total estimate for this IT project is now significantly lower than the above estimate. The table below illustrates the project to date costs (as of July 31, 2015) which have in fact been greatly reduced due to the diligence by the project team. This will save programming time which reduces business risk and in the end will save the customers cost. Instead of the ~$1.9 million of costs estimated earlier in the process, DEF is now hopeful that the costs will be significantly lower.

Actual Costs Incurred Through July 2015

Project Stage	Actual Cost (in thousands)
Analysis & Design	75
Build & Unit Test	35
Component Test	*
Product Acceptance Test	*
User Acceptance Test	*
Integrated Regression Test	*
Deployment & Warranty	*
Total as of July 31, 2015	**$110**

**** Actual costs will be determined as project completes each stage***

The **build & unit test** stage is commonly referred to as coding in which developers may find their coding tasks to be much more or less complicated than originally assessed in inventory. During this stage thousands of lines of program code must be analyzed and tested. The developer must prove that the coded solution is viable in terms of executable code. Successful completion of this stage occurs when the billing system can execute the instruction set and produce the expected results.

The **component test** stage is a sub-stage of the build & unit test stage. It is planned separately after the coding and unit test is complete. Component test is conducted in a

system test environment at a higher level than unit test by the project team members. This allows the project team to identify and correct problems with the code or job flows prior to exposure to the business partners. The team will execute approximately 350 component test scripts and 3,000 test steps by the end of this test phase, and approximately 200 rates in four billing groups will be tested and verified.

The **product acceptance test** stage is a business partners stage. The business partners will be engaged in processing, data, report validations and verifications. Any process errors will be documented and tracked, and daily meetings will be conducted to review defect correction progress. Test scripts are estimated to be approximately 500 scripts containing 20,000 test steps. All billing rates and all billing scenarios (e.g. cancel/rebill and cancel/adjust) will be tested during this stage.

The **user acceptance test** stage is to focus on validating that all defects have been fixed and ensure all business requirements have been met. There will be an estimated 200 scripts executed during this phase of testing.

The **integration regression test** stage is conducted independent of the project team and business partners. A test support team moves the changes made to the project into a test environment and then performs a set of regression test scripts to ensure that the changes made to the environments as a whole will not have a negative impact.

The **deployment & warranty** stage is the act of planning for and then executing the steps needed to move the products developed during the execution stages of the project life cycle into the production environment. The project team will still address and correct any defects that may be found once the project has been deployed into the production environment. The project team will work in conjunction with the production support team to train them on the changes that were made and how to properly support them. The duration of the warranty period depends on the nature of the project. The warranty period is expected to span 90 to 100 days as it must include two billing cycle month ends and two revenue collection cycle month ends.

34. Is it a conflict of interest to have DEF's financial advisor also be an underwriter, and therefore, a purchaser of the bonds?

Answer: Morgan Stanley is DEF's structuring advisor for this proposed transaction, and its responsibilities include reviewing of enacted legislation; reviewing Company financing objectives; reviewing rating agency criteria with the Company; developing preliminary financing structures; developing interest rate risk management structures, if applicable; developing the mechanics of properly effecting the Financing, including assistance with preparing billing and collection systems; assistance with preparing related testimony of various Company witnesses; reviewing draft transaction documents; assistance in developing and applying for a proposed financing order; and providing expert direct testimony and rebuttal testimony (if any).

DEF, through its inquiries of its legal advisors and financial institutions, notes it is common for firms to participate as both structuring advisor and underwriter on utility securitization transactions. The document attached to this response (bearing Bates numbers 150148-STAFFROG2-34-000001 through 000002) includes listings of utility securitization transactions provided by Goldman Sachs and Morgan Stanley. These listings demonstrate that it is a common practice for these financial institutions to participate as both structuring advisor and underwriter on utility securitization transactions. The participation of a financial institution as both structuring advisor and underwriter may result in efficiencies in both costs and timing that will benefit customers. We are not currently aware of any conflict of interest concerns. However, if such conflict of interest concerns were to be expressed, we would propose to address those concerns through the underwriting request for proposal process and through disclosure in the prospectus as well as undertake the hiring of multiple underwriters. DEF proposes to engage multiple underwriters to ensure the best advice is obtained, and to diminish the influence of any one advisor. DEF would like to attain advice from the most experienced financial institutions in the utility securitization arena to ensure sufficient investor demand is obtained and a successful transaction results. Further, DEF plans to engage the underwriters early enough in the process to ensure their input is taken into consideration before finalizing the structure that would be presented to the rating agencies and investors. Please note the document referenced above is confidential. A redacted version is attached hereto. An unredacted version has been filed with the FPSC along with DEF's Notice of Intent to Request Confidential Classification dated August 31, 2015.

As indicated in my testimony and discussed in the response to Interrogatory No. 17, DEF, in consultation with the other members of the Bond Team, expects to conduct a request-for-proposal process to select underwriters for the transaction. Morgan Stanley should not be excluded from participation in the request-for-proposal process or the related underwriting services if it demonstrates it has satisfactory experience marketing and selling utility securitization bonds, and assuming sufficient expertise and influence is obtained by hiring multiple appropriately qualified underwriters.

COMPOSITE EXHIBIT OF DEF's ANSWERS TO STAFF'S INTERROGATORIES REFERENCED IN THIS TESTIMONY

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20. Please refer to Buckler Direct, page 22, lines 2-5. Please explain how DEF's proposed nuclear asset-recovery bonds are directly and/or indirectly impacted by the new SEC regime.

Answer: As stated in Patrick Collins's original testimony on p. 40, lines 5 through 11, in August of 2014, the SEC adopted revisions to Regulation AB, commonly referred to as Regulation AB II, relating to the registration, disclosure, and reporting for publicly-offered asset-backed securities issued after November 23, 2015. Once these new regulations are effective, the registration of asset-backed securities, as defined by Item 1101(c) of Regulation AB, will be required to be made on one of two new forms: Form SF-1 and Form SF-3. DEF currently anticipates that it will file on Form SF-1 because DEF anticipates only a single offering of nuclear asset-recovery bonds.

The new filing requirements have not gone into effect yet, although the SEC has encouraged "pilot filings" to be made in anticipation of the effective date and several issuers are undergoing the full review process in this pilot program relating to the new Form SF-3. To date, I am not aware of any filing made or being pursued using a pilot program for Form SF-1. As such, utilizing filings under a new and updated regulatory regime, there naturally will be a certain amount of uncertainty with the exact implementation and timing of the process.

25. Please refer to Collins Direct, page 40, lines 14-20. Do the nuclear asset-recovery bonds have to be classified as asset-backed securities? For purposes of this response, please identify the specific requirement or authority for this designation.

Answer: There appears to be little doubt that the SEC (under whose authority such a designation is made) and other regulators generally consider a utility securitization, such as DEF's proposed transaction, as an "asset-backed security."

Regulation AB II relies upon the definition of "asset-backed securities" from Item 1101(c) of Regulation AB. Under these new regulations, any issuer issuing a publicly-registered asset-backed security under this definition must utilize registration statement Form SF-1 or Form SF-3, as appropriate. Regulation AB II, however, includes other provisions beyond the type of registration form to be used for registered securities. So, for guidance as to how the SEC is to consider DEF's proposed transaction, we looked to recent rulemaking from the SEC relating to other provisions of Regulation AB II that utilize the same definition of asset-backed securities. As such, Regulation AB II includes provisions around asset-level data disclosure requirements relying on the same definition of asset-backed securities. In that rulemaking, the staff determined that asset-backed securities backed by "stranded costs" would be expressly exempted from the asset-level data requirements of Regulation AB II. The implication is that the SEC's staff believes that utility securitizations fall under the definition of asset-backed securities[1], which is the same definition that dictates Forms SF-1 or SF-3 to be used.

Further, we can also look to other rulemaking wherein the SEC and other regulators dealing with the definition of asset-backed securities in other contexts. An example occurs from the Dodd-Frank Act. As required by the Dodd-Frank Act[2], the SEC, together with the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Federal Housing Finance Agency, and the Department of Housing and Urban Development issued risk retention rules in October 2014 that relate to "asset-backed securities" as defined under Section 3(a)(79) of the Securities Exchange Act (the "Exchange Act"). These six agencies determined that "public utility securitizations"[3] were asset-backed

[1] Asset-Backed Securities Disclosure and Registration, 79 Fed. Reg. 57183, 57196 (Sept. 24, 2014)
[2] Section 941 amended Section 15G of the Securities Exchange Act of 1934
[3] "Any securitization transaction where the asset-back[ed] securities issued in the transaction are secured by the intangible property right to collect charges for the recovery of specified costs and such other assets, if any, of an issuing entity that is wholly owned, directly or indirectly, by an investor owned utility company that is subject to the regulatory authority of a State public utility commission or other appropriate State agency." Credit Risk Retention 79 Fed. Reg. 77601, 77761 (Dec. 24, 2014)

securities under Section 3(a)(79), and specifically exempted these securitizations from the risk retention rules. It is clear from this rulemaking and the related release that the applicable regulatory authorities generally categorize utility securitizations as asset-backed securities.

Based on these two rulemakings which occurred after the 2007 no-action letter (further discussed below in Question 28), it is our belief that the SEC generally thinks of utility securitizations as "asset-backed securities" under both Item 1101(c) of Regulation AB and 3(a)(79) of the Exchange Act.

28. In 2007, Monongahela Power Company and Potomac Edison Company each organized a wholly-owned finance subsidiary ("Finance Subsidiary") for the principal purpose of issuing securitized Environmental Control Bonds under West Virginia statutes. The Amended and Restated LLC Agreements gave the Finance Subsidiaries flexibility to issue additional types of securitized bonds which might be authorized by financing orders of the West Virginia PSC[4]. In a no action letter dated September 17, 2007[5], SEC staff

[4] http://www.sec.gov/Archives/edgar/data/1384731/000095012007000199/exhibit3_2.htm; http://www.sec.gov/Archives/edgar/data/1384732/000095012007000187/ex3-2.htm Section 2.11 of the Amended and Restated LLC Agreement for each stated:

> "Additional Issuance. If the Company receives a financing order or other authorization or approval from the PSCWV, the Company may, in its sole discretion, acquire additional and separate property (including property other than Environmental Control Property) and issue one or more Additional Issuances that are backed by such separate additional property. Any new Additional Issuance may include terms and provisions unique to that Additional Issuance.
>
> (a) The Company shall not issue additional Environmental Control Bonds or other Additional Securities if the Additional Issuance would result in the then-current ratings on any Outstanding Series of Environmental Control Bonds or other Outstanding Additional Securities being reduced or withdrawn.
>
> (b) (b) The following conditions must be satisfied in connection with any Additional Issuance:
>
> (i) if the Additional Issuance is a new series of Environmental Control Bonds, such Bonds shall be rated "Aaa" by Moody's and "AAA" by S&P and Fitch;
>
> (ii) each Additional Issuance shall have recourse only to the assets pledged in connection with such Additional Issuance, shall be nonrecourse to any of the Company's other assets and shall not constitute a claim against the Company if cash flow from the pledged assets is insufficient to pay such Additional Issuance in full;
>
> (iii) the Company has delivered to the Trustee an Opinion of Counsel of a nationally recognized firm experienced in such matters to the effect that after such issuance, in the opinion of such counsel, if either or both of Mon Power or the Seller were to become a debtor in a case under the United States Bankruptcy Code (Title 11, U.S.C.), a federal court exercising bankruptcy jurisdiction and exercising reasonable judgment after full consideration of all relevant factors would not order substantive consolidation of the assets and liabilities of the Company with those of the bankruptcy estate of Mon Power or the Seller, subject to the customary exceptions, qualifications and assumptions contained therein;
>
> (iv) the Company has delivered to the Trustee a certificate meeting the criteria of Section 3.19(c)(iv) of the Indenture stating that the securities issued pursuant to such Additional Issuance shall have the benefit of a true-up mechanism;
>
> (v) the transaction documentation for such Additional Issuance provides that holders of the securities of such Additional Issuance will not file or join in the filing of any bankruptcy petition against the Company;
>
> (vi) if the holders of the securities of any Additional Issuance are deemed to have any interest in any of the Collateral pledged under the Indenture (other than Collateral

confirmed that securitized Environmental Control Bonds issued by the Finance Subsidiaries would not be treated as "asset-backed securities" for purposes of old Regulation AB. Consistent with that SEC no action letter, in 2007 and again in 2009 each Finance Subsidiary used SEC Form S-1 to offer securitized Environmental Control Bonds.[6] Is there anything in new Regulation AB II that would preclude DEF from taking a similar approach and causing Nuclear Asset-Recovery Bonds issued for its benefit to be offered on SEC Form S-1 rather than SEC Form SF-1?

Answer: Yes. After the effective date of Regulation AB II on November 24, 2015, Form S-1 is not permitted to be used for "asset-backed securities" as defined under Item 1101(c) of Regulation AB. Only Forms SF-1 and SF-3 are permissible registration statement forms for those securities.

As discussed above in Question 25, the staff of the SEC has reaffirmed its general position since the issuance of its 2007 no-action letter for the West Virginia securitizations that utility securitizations are "asset-backed securities." Hence, if steps are taken to structure the security so that it technically falls outside the definition of "asset-backed security", as were taken in the West Virginia transactions, it is uncertain whether or not the staff of the SEC would continue to adhere to its position in the 2007 no-action letter, and further discussions with SEC staff would be necessary. If it is determined that an additional no-action letter is required to be obtained from the SEC, significant delays and additional expenses would likely to be incurred.

pledged with respect to such Additional Issuance), the holders of such securities must agree that any such interest is subordinate to the claims and rights of the Holders of such other related series of Environmental Control Bonds;

(vii) the Additional Issuance shall have its own bank accounts or trust accounts; and

(viii) the Additional Issuance shall bear its own trustees fees and servicer fees, except that the allocation of such fees with respect to any Additional Issuance of Environmental Control Bonds shall be governed by the terms of the Indenture and the Servicing Agreement."

[5] http://www.sec.gov/divisions/corpfin/cf-noaction/2007/mpef091907-1101.htm

[6] http://www.sec.gov/Archives/edgar/data/1384732/000095012007000009/forms-1.htm; http://www.sec.gov/Archives/edgar/data/1384732/000095012007000009/forms-1.htm; http://www.sec.gov/Archives/edgar/data/1384731/000095012007000035/forms-1.htm; http://www.sec.gov/Archives/edgar/data/1384731/000119312509247388/ds1.htm.

Another relevant question to ask is why the PE Environmental/MP Environmental Funding precedent would be followed even if DEF could prevail upon the SEC to adhere to its 2007 position. Other than the 2007 and 2009 West Virginia transactions, no other utility securitization has utilized a Form S-1 registration statement. It is my understanding that even the Florida Commission permitted FPL to file its registration statement using Form S-3 (and not a Form S-1), following inquiries with the SEC by FPL and the Commission about the potential use of Form S-1. Further, the West Virginia Commission abandoned any interest in the use of a Form S-1 for subsequent utility securitizations. The West Virginia 2013 financing by Appalachian Consumer Rate Relief Funding LLC utilized a Form S-3 (rather than Form S-1).

Finally, it appears that one of the structuring assumptions behind the SEC's 2007 no action letter in the West Virginia securitizations was the flexibility of PE Environmental/MP Environmental Funding to issue additional indebtedness (including additional debt securities that were not environmental control bonds) in future transactions. Section 366.95(5)(a)3., Florida Statutes, does not permit the SPE, which is created for the purposes of issuing nuclear asset-recovery bonds, to issue anything other than nuclear asset-recovery bonds.

Accordingly, and consistent with overwhelming historic and recent precedent, DEF currently anticipates filing its registration statement on new Form SF-1 and treating the securities as "asset-backed securities" for the purposes of SEC registration and Regulation AB.

29. Must the proposed Nuclear Asset Recovery Bonds be treated as "asset-backed securities" for purposes of Section 943 of the Dodd-Frank Act and SEC Rule 17g-7?

Answer: As explained in Question 25 above, the definition of "asset-backed securities" under Section 3(a)(79) of the Exchange Act (which was added by the Dodd Frank Act in July 2010) includes public utility securitizations of the type contemplated by DEF, which is why the risk retention rulemaking under Section 941 of the Dodd-Frank Act specifically exempted public utility securitizations from the scope of the risk retention rules. However, it does not appear that all of the rating agencies have posted 17g-7 reports for recent utility securitizations and we are unable to explain their legal rational. S&P noted in a release entitled "Standard & Poor's Expands Structured Finance Ratings To Comply With SEC Rule 17g-7" on September 1, 2011 that:

> Certain securities that we believe fall under the Exchange Act ABS definition typically do not contain representations, warranties and enforcement mechanisms that are available to investors (examples include tender option bonds and match-funded ABCP) and, therefore, Standard & Poor's will not publish benchmarks (described below) or in most cases 17g-7 disclosure reports in these circumstances.

S&P may have taken the position that in stranded cost transactions that the representations, warranties and enforcement mechanisms are not "available to investors", and consequently determined that a 17g-7 report was not required to comply with paragraph (a)(ii)(N)(1) of Rule 17g-7. However, we note that Fitch Ratings does appear to have determined that a "utility tariff ABS" transaction, like the one contemplated by DEF, is an "asset-backed security" under the Exchange Act since Fitch Ratings published reports pursuant to SEC Rule 17g-7 for both the First Energy and LIPA public utility securitizations. In addition, Fitch Ratings updated its description of the representations, warranties and enforcement mechanisms commonly found in utility tariff ABS transactions on June 12, 2015 as part of their report entitled "Representations, Warranties and Enforcement Mechanisms in Global Structured Finance Transactions", presumably to permit compliance with paragraph (a)(ii)(N)(1) of Rule 17g-7 which specifically applies to an "asset-backed security" as defined under Section 3(a)(79) of the Exchange Act. Since Rule 17g-7 applies to the rating agencies, they would be better positioned to respond regarding their application of Rule 17g-7 to utility securitizations, but even if they view rule 17g-7 as not being applicable (which does not universally appear to be the case), it does not necessarily follow that the rating agencies believe that utility securitizations fall outside the scope of "asset-backed securities" under Section 3(a)(79)

of the Exchange Act, especially since the rating agencies generally categorize these securities as asset-backed securities in their reports related to utility securitizations.

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: October 13, 2015

TO: Carlotta S. Stauffer, Commission Clerk, Office of Commission Clerk

FROM: Rosanne Gervasi, Senior Attorney, Office of the General Counsel

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

Please place the attached Proposed Stipulations on Financing Order Issues in the above-referenced docket file.

DOCKET NOS. 150148-EI, 150171-EI

PROPOSED STIPULATIONS ON FINANCING ORDER ISSUES*

LEGAL ISSUE A: What is the definition of "incremental bond issuance costs" as that term is used in Section 366.95(2)(c)5., Florida Statutes?

LEGAL ISSUE B: In determining whether some or all actual bond issuance costs should be disallowed pursuant to Section 366.95(2)(c)5., Florida Statutes, what should the Commission take into account?

If the parties reach stipulations on all the issues as proposed below, these legal issues do not need to be decided by the Commission.

ISSUE 14: Do the cost amounts contained in DEF's CR3 Regulatory Asset meet the definition of "nuclear asset-recovery costs" pursuant to Section 366.95(1)(k),Florida Statutes?

The cost amounts contained in DEF's CR3 Regulatory Asset meet the definition of "nuclear asset-recovery costs" pursuant to Section 366.95(1)(k), Florida Statutes.

ISSUE 15: Do the ongoing financing costs identified in DEF's Petition qualify as "financing costs" pursuant to Section 366.95(1)(e), Florida Statutes?

The types of ongoing financing costs identified in DEF's Petition qualify as "financing costs" pursuant to Section 366.95(1)(e), Florida Statutes.

ISSUE 16: Has DEF demonstrated 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 pursuant to Section 366.95(2)(a)6., Florida Statutes?

DEF has demonstrated 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 pursuant to Section 366.95(2)(a)6., Florida Statutes.

ISSUE 17: What amount, if any, should the Commission authorize DEF to recover through securitization?

The amounts that should be authorized for DEF to recover through securitization must meet the criteria set forth in Section 366.95, Florida Statutes. By the nature of this proceeding, that amount will not be known with precision until the bonds are issued. The principal amount of the nuclear asset-recovery bonds should be $1,283,012,000, representing the projected December 31, 2015 balance of the CR3 Regulatory Asset, subject to true-up to the actual December 31, 2015

balance, plus carrying charges beyond 2015 until the date of the bond issuance, plus upfront financing costs.

ISSUE 18: What is the appropriate treatment of the deferred tax liability consistent with paragraph 5(j) of the RRSSA?

No adjustment is necessary for the deferred tax liability. However, consistent with paragraph 5(j) of the RRSSA, the deferred tax liability will be excluded for earnings surveillance purposes.

ISSUE 19: Should DEF indemnify customers to the extent customers incur losses associated with higher servicing fees payable to a substitute servicer, or with higher administration fees payable to a substitute administrator, as a result of DEF's termination for cause?

DEF should be required to indemnify customers to the extent customers incur losses associated with higher servicing fees payable to a substitute servicer, or with higher administration fees payable to a substitute administrator, as a result of DEF's termination for cause attributable to its own actions.

ISSUE 20: What should be the up-front and ongoing fee for the role of servicer throughout the term of the nuclear asset-recovery bonds?

The up-front fee for the role of servicer is currently estimated to be $915,000. The actual amount may change based on DEF's final cost. So long as DEF or an affiliate of DEF is servicer, the annual fee for the role of servicer throughout the term of the nuclear asset-recovery bonds is 0.05% of the original principal balance of the nuclear asset-recovery bonds (currently estimated to be approximately $650,000).

ISSUE 21: What amount, if any, of DEF's periodic servicing fee in this transaction should DEF be required to credit back to customers through an adjustment to other rates and charges?

DEF will credit back to customers through the Capacity Cost Recovery Clause all periodic servicing fees in excess of DEF's or an affiliate of DEF's incremental cost of performing the servicer function until the next rate case when costs and revenues associated with the servicing fees will be included in the cost of service.

ISSUE 22: What should be the ongoing fee for the role of the administrator throughout the term of the nuclear asset-recovery bonds?

The ongoing fee for the role of the administrator throughout the term of the nuclear asset-recovery bonds will be $50,000.

ISSUE 23: What amount, if any, of DEF's periodic administration fee in this transaction should DEF be required to credit back to customers through an adjustment to other rates and charges?

DEF will credit back to customers through the Capacity Cost Recovery Clause all periodic administration fees in excess of DEF's or any affiliate of DEF's incremental cost of performing the administration function until the next rate case when costs and revenues associated with the administration fee will be included in the cost of service.

ISSUE 24: How frequently should DEF in its role as servicer be required to remit funds collected from customers to the SPE?

DEF will remit funds collected from customers to the SPE either on a daily basis based on estimated daily collections or on a monthly basis if certain conditions can be satisfied. These conditions have yet to be determined and will be driven both by rating agency requirements to achieve and maintain the targeted "AAA" rating on the bonds and by investor concerns in the marketing and pricing of the bonds.

ISSUE 25: If remittances are not daily, should DEF be required periodically to remit actual earnings on collections pending remittance?

If remittances are not daily, DEF will be required monthly to remit estimated earnings on collections pending remittance. The calculation of earnings will be consistent with the methodology for calculating interest on over- and under-collections associated with DEF's cost recovery clauses.

ISSUE 26: Is DEF's proposed process for determining whether the upfront bond issuance costs satisfy the statutory standard of Section 366.95(2)(c)5., Florida Statutes, reasonable and should it be approved?

In accordance with Section 366.95(2)(c)5., Florida Statutes, within 120 days after the issuance of the nuclear asset-recovery bonds, DEF will file supporting information on the actual upfront bond issuance costs, for the categories of costs as reflected on page 1 of Exhibit No. __ (BB-1). The Commission shall review such costs to determine compliance with Section 366.95(2)(c)5., Florida Statutes. As part of this review, the Commission shall only consider actual upfront bond issuance costs, but not ongoing financing costs, interest rate, or pricing of the bonds.

After the issuance of a Financing Order, if DEF decides not to cause nuclear asset-recovery bonds to be issued, then as provided in Section 366.95(2)(c)6., Florida Statutes, DEF may not recover financing costs, as defined in Section 366.95(1)(e), Florida Statutes, from customers.

ISSUE 27: Issue dropped.

ISSUE 28: What additional conditions, if any, should be made in the Financing Order that are authorized by Section 366.95(2)(c)2.i.?

The Financing Order will include ordering paragraphs, findings of fact, and conclusions of law that will give appropriate comfort to investors about the high quality of the nuclear asset-recovery bonds as a potential investment. Examples include:

1. A finding of fact that the Commission anticipates stress case analyses will show that the broad-based nature of the true-up mechanism under Section 366.95(2)(c)2.d, Florida Statutes, and the State pledge under Section 366.95(11), Florida Statutes, will serve to effectively eliminate for all practical purposes and circumstances any credit risk to the payment of the nuclear asset-recovery bonds (*i.e.*, that sufficient funds will be available and paid to discharge the principal and interest obligations when due);

2. A finding of fact and ordering paragraph directing that the automatic true-up mechanism is to be applied at least every six months;

3. A finding of fact and ordering paragraph that the automatic true-up mechanism will be implemented no later than 60 days after a filing by the servicer;

4. A finding of fact that the credit quality of the nuclear asset-recovery bonds are enhanced by Section 366.95, Florida Statutes, due to the requirements that (1) the nuclear asset-recovery charge in amounts authorized by the Commission are to be imposed on all customer bills and collected in full in the form of a nonbypassable charge separate from the electric utility's base rates, (2) the charge shall be paid by all existing and future customers receiving transmission or distribution services from the electric utility, and (3) following any fundamental change in regulation of public utilities in the State, a customer electing to purchase electricity from an alternate electricity supplier must still pay the charge. Furthermore, through the true-up mechanism, 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;

5. A finding of fact that the Commission interprets the legislative intent of the true-up mechanism provided for in Section 366.95 for allocating costs among customers rises to the level of joint and several liability among the customers of DEF.

6. A finding of fact and conclusion of law that the broad nature of the State pledge under Section 366.95(11), Florida Statutes, constitutes a contract with the bondholders, the owners of the nuclear asset-recovery property,

and other financing parties that the state will not: (1) Alter the provisions of this section which make the nuclear asset-recovery charges imposed by a Financing Order irrevocable, binding, and nonbypassable charges; (2) 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 (3) Except as authorized under Section 366.95, 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;

7. A finding of fact that this Commission guarantees that it will act pursuant to this Financing Order as expressly authorized by Section 366.95, Florida Statutes, to ensure that nuclear asset-recovery charge revenues are sufficient to pay principal and interest on the nuclear asset-recovery bonds issued pursuant to this Financing Order and other costs, including fees and expenses, in connection with the nuclear asset-recovery bonds;

8. A finding of fact that the broad based nature of the State pledge under Section 366.95(11), Florida Statutes, and the irrevocable character of this Financing Order, in conjunction with the true-up adjustment provisions required by Section 366.95(2)(c)2.d, Florida Statutes, and included in this Order, constitutes a guarantee of regulatory action for the benefit of investors in nuclear asset-recovery bonds;

9. A conclusion of law that nuclear asset-recovery property is not a receivable or a pool of receivables;

10. A conclusion of law that the nuclear asset-recovery property is not a financial asset in that it only represents a legally-enforceable regulatory property right under Section 366.95 to bill and collect nuclear asset-recovery charges on persons who receive electric transmission and distribution services from the electric utility or its successors or assignees;

11. A finding of fact that the issuer of the bonds is a special purpose finance subsidiary of DEF and a corporate issuer;

12. A conclusion of law that the Commission's obligation under the Financing Order relating to nuclear asset-recovery bonds, including the specific actions the Commission guarantees to take, are direct, explicit, irrevocable, and unconditional upon the issuance of nuclear asset-recovery bonds, and are legally enforceable against the Commission, a United States public sector entity; and

13. A conclusion of law and ordering paragraph that the Financing Order is irrevocable under Section 366.95(2)(c)6, Florida Statutes.

In addition, the Financing Order will call for the Commission's financial advisor to deliver to the Commission a certification as to whether the structuring, marketing, and pricing of the nuclear asset-recovery bonds resulted in the lowest nuclear asset-recovery charges consistent with prevailing market conditions and the terms of the Financing Order and other applicable law. That certification shall include a report of any action or inaction which the Commission's financial advisor believes might have caused the transaction not to achieve the lowest nuclear asset-recovery charges, regardless of whether DEF's reason for action or inaction was the result of DEF's sole view that it would expose DEF or the SPE to securities law liability. The Financing Order will provide that the Commission will take that certification from its financial advisor, along with any other facts and circumstances, except for a change in market conditions after the moment of pricing, into account in determining whether the remaining requirements of Section 366.95, Florida Statutes, and the Financing Order have been met and whether to issue a stop order no later than 5:00 pm Eastern time on the third business day following pricing, as provided in Ordering Paragraph 54 of the Financing Order.

The parties agree that the Financing Order shall be silent on the issue of whether any judgment or other finding of liability against the SPE(s) constitutes "financing costs" as those costs are defined in Section 366.95. Furthermore, the parties each agree that no party will assert that the Financing Order supports a finding in favor of or against the proposition that any judgment or finding of liability against the SPE(s) constitutes "financing costs" as defined in Section 366.95.

ISSUE 29: Should all legal opinions be subject to review by the Bond Team?

All legal opinions should be reviewed by the Bond Team. All legal opinions associated with the Nuclear Asset-Recovery Bonds should be submitted to the Commission automatically without requiring the Commission to specifically request the documents.

ISSUE 30: Should all transaction documents and subsequent amendments be filed with the Commission before becoming operative?

All transaction documents and subsequent amendments should be reviewed and approved by the Bond Team before becoming operative.

ISSUE 31: Is DEF's proposed pre-issuance review process reasonable and should it be approved?

DEF, its structuring advisor, and designated Commission staff and its financial advisor will serve on the Bond Team. One designated representative of DEF and one designated representative of the Commission shall be joint decision makers in

all aspects of the structuring, marketing and pricing of the nuclear asset-recovery bonds except for those recommendations that in the sole view of DEF would expose DEF or the SPE to securities law and other potential liability (*i.e.,* such as, but not limited to, the making of any untrue statement of a material fact or omissions to state a material fact required to be stated therein or necessary in order to make the statements made not misleading) or contractual law liability (*e.g.,* including but not limited to terms and conditions of the underwriter agreement(s)). The Commission's designated staff and financial advisor will be visibly involved, in advance, in all aspects of the structuring, marketing, and pricing of the nuclear asset-recovery bonds. All Bond Team members will actively participate in the design of the marketing materials for the transactions as well as in the development and implementation of the marketing and sales plan for the bonds. DEF believes DEF and the Commission staff and its financial advisor as Bond Team members, excluding DEF's structuring advisor, should also have equal rights on the hiring decisions for the underwriters and counsel to the underwriters. However, DEF will have sole right to select and engage all counsel for DEF and the SPE. In addition, together with the Bond Team's involvement in the structuring, marketing and pricing of the nuclear asset-recovery bonds, and the Issuance Advice Letter process, the Commission will be able to fully review the pricing of the bonds as the Commission determines whether to issue a stop order no later than 5:00 pm Eastern time on the third business day following pricing, as provided in Ordering Paragraph 54 of the Financing Order.

ISSUE 32: Should the Financing Documents be approved in substantially the form proposed by DEF, subject to modifications as addressed in the draft form of the Financing Order?

No. The specific terms, conditions, covenants, warranties, representations, and specific language contained in the Financing Documents may be impacted by the Commission's decisions on other issues and must be reviewed in consideration of the Financing Order approved by the Commission.

ISSUE 33: Is DEF's proposed Issuance Advice Letter process reasonable and consistent with the statutory financing cost objective contained in Section 366.95(2)(c)2.b., Florida Statutes?

Yes. DEF, its structuring advisor, and designated Commission staff and its financial advisor will serve on the Bond Team. One designated representative of DEF and one designated representative of the Commission shall be joint decision makers in all aspects of the structuring, marketing and pricing of the nuclear asset-recovery bonds, except for those recommendations that in the sole view of DEF would expose DEF or the SPE to securities law and other potential liability (*i.e.,* such as, but not limited to, the making of any untrue statement of a material fact or omissions to state a material fact required to be stated therein or necessary in order to make the statements made not misleading) or contractual law liability (*e.g.,* including but not limited to terms and conditions of the underwriter agreement(s)), so the Commission will be provided with information in real time

about the transaction. Furthermore, the Commission will have an opportunity to review a draft of the proposed Issuance Advice Letter in advance of pricing the transaction.

ISSUE 34: Should the Standard True-up Letter be approved in substantially the form proposed by DEF?

The Standard True-up Letter should be approved in substantially the form proposed by DEF.

ISSUE 35: Is DEF's proposed process for determining whether the structure, plan of marketing, 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 reasonable and should it be approved?

Yes. DEF's proposed process for determining whether the structure, plan of marketing, expected pricing and financing costs of the nuclear asset-recovery bonds has 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.

ISSUE 36: Is the degree of flexibility afforded to DEF in establishing the terms and conditions of the nuclear asset-recovery bonds as described in the proposed form of Financing Order, reasonable and consistent with Section 366.95(2)(c)2.f., Florida Statutes?

Yes, as modified by this Stipulation. DEF, its structuring advisor, and designated Commission staff and its financial advisor will serve on the Bond Team. One designated representative of DEF and one designated representative of the Commission shall be joint decision makers in a collaborative process, except for those recommendations that in the sole view of DEF would expose DEF or the SPE to securities law or other potential liability (*i.e.,* such as, but not limited to, the making of any untrue statement of a material fact or omission to state a material fact required to be stated therein or necessary in order to make the statements made not misleading) or contractual law liability (*e.g.,* including but not limited to terms and conditions of the underwriter agreement(s)). This affords the flexibility that is reasonable and consistent with Section 366.95(2)(c)2f.

ISSUE 37: What persons or entities should be represented on the Bond Team?

DEF, its structuring advisor, and designated Commission staff and its financial advisor should be represented on the Bond Team.

ISSUE 38: **Based on resolution of the preceding issues, should a Financing Order in substantially the form proposed by DEF be approved, including the findings of fact and conclusions of law as proposed?**

The Financing Order, including findings of fact and conclusions of law, proposed by DEF should be revised, following consultation with and input from the active parties, to reflect the Commission's resolution of all issues in this proceeding.

ISSUE 39: **If the Commission votes to issue a Financing Order, what post-Financing Order regulatory oversight is appropriate and how should that oversight be implemented?**

DEF's customers will be effectively represented throughout the proposed transaction. DEF, its structuring advisor, and designated Commission staff and its financial advisor will serve on the Bond Team. One designated representative of DEF and one designated representative of the Commission shall be joint decision makers for all matters concerning the structuring, marketing, and pricing of the bonds except for those recommendations that in the sole view of DEF would expose DEF or the SPE to securities law and other potential liability (*i.e.,* such as, but not limited to, the making of any untrue statement of a material fact or omission to state a material fact required to be stated therein or necessary in order to make the statements made not misleading) or contractual law liability (*e.g.*, including but not limited to terms and conditions of the underwriter agreement(s)). The final structure of the transaction, including pricing, will be subject to review by the Commission for the limited purpose of ensuring that all requirements of law and the Financing Order have been met.

ISSUE 40: **Are the energy sales forecasts used to develop the bond amortization schedules and the recovery mechanism appropriate?**

The energy sales forecasts used to develop the bond amortization schedules and the recovery mechanism are appropriate.

ISSUE 41: **If the Commission approves recovery of any nuclear asset-recovery related costs through securitization, how should the recovery of these costs be allocated to the rate classes consistent with Section 366.95(2)(c)2.g., Florida Statutes?**

In accordance with Section 366.95(2)(c)2.g., Florida Statutes, DEF should allocate the nuclear asset-recovery costs recoverable under the nuclear asset-recovery charge consistent with the allocation methodology adopted in the RRSSA approved on November 12, 2013 in Order No. PSC-13-0598-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).

ISSUE 42: **If the Commission approves recovery of any nuclear asset-recovery related costs through securitization, what is the appropriate recovery period for the Nuclear Asset-Recovery Charge?**

If the Commission approves recovery of any nuclear asset-recovery related costs through securitization, the appropriate recovery period for the Nuclear Asset-Recovery Charge is 240 months or until the nuclear asset-recovery bonds and associated charges and approved adjustments have been paid in full but not to exceed 276 months.

ISSUE 43: Issue dropped.

ISSUE 44: **What should be the scheduled final maturity and the legal final maturity of the nuclear asset-recovery bonds?**

The scheduled final maturity and the legal final maturity of the nuclear asset-recovery bonds are to be determined after the issuance of the Financing Order.

ISSUE 45: **Is DEF's proposed Nuclear Asset-Recovery Charge True-Up Mechanism appropriate and consistent with Section 366.95, Florida Statutes, and should it be approved?**

DEF's proposed Nuclear Asset-Recovery Charge True-Up Mechanism is appropriate and consistent with Section 366.95, Florida Statutes, and it should be approved.

ISSUE 46: **How frequently should the Nuclear Asset-Recovery Charge True-up Mechanism be conducted?**

The Nuclear Asset-Recovery Charge True-up Mechanism should be conducted not less than every six months.

ISSUE 47: **If the Commission approves an amount to be securitized, on what date should the Nuclear Asset-Recovery Charge become effective?**

The Nuclear Asset-Recovery Charges should become effective upon the first day of the billing cycle for the month following the issuance of the nuclear asset-recovery bonds.

ISSUE 48: Issue dropped.

ISSUE 49: **If the Commission denies DEF's request for a Financing Order, or if the nuclear asset-recovery bonds are not issued for any reason after the Commission issues a Financing Order, should the Commission approve DEF's alternative request for a base rate increase pursuant to the RRSSA, to be implemented beginning six months after the final order rejecting DEF's request (in the event the Financing Order is not issued) or the date upon which DEF notifies the Commission that the bonds will not be issued (in the event the Financing Order is issued), with carrying costs on the nuclear asset-recovery costs collected from January 1, 2016, through the Capacity Cost Recovery Clause, until such time as the base rate increase goes into effect?**

If the Commission denies DEF's request for a Financing Order, or if the nuclear asset-recovery bonds are not issued for any reason after the Commission issues a Financing Order, the Commission should approve DEF's alternative request for a base rate increase pursuant to the RRSSA, to be implemented beginning six months after the final order rejecting DEF's request (in the event the Financing Order is not issued) or the date upon which DEF notifies the Commission that the bonds will not be issued (in the event the Financing Order is issued), with carrying costs on the nuclear asset-recovery costs collected from January 1, 2016, through the Capacity Cost Recovery Clause, until such time as the base rate increase goes into effect.

ISSUE 50: **Should the form of tariff sheets to be filed under DEF's tariff, as provided in Exhibit __ (MO-6A) of Witness Olivier's testimony, be approved?**

The form of tariff sheets to be filed under DEF's tariff, as provided in Exhibit __ (MO-6A) of Witness Olivier's testimony, should be approved.

ISSUE 51: **In accordance with Section 366.95(2)(c)2.h., Florida Statutes, if the Commission does not issue a stop order by 5:00 p.m. on the third business day after pricing, should the nuclear asset-recovery charges become final and effective without further action from the Commission?**

In accordance with Section 366.95(2)(c)2.h., Florida Statutes, if the Commission does not issue a stop order by 5:00 p.m. on the third business day after pricing, the nuclear asset-recovery charges should become final and effective without further action from the Commission.

ISSUE 52: **Should this docket be closed?**

This docket should remain open pursuant to Section 366.95(2)(c)4., Florida Statutes.

*FIPUG takes no position on these proposed stipulations.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 150171-EI

ERRATA SHEET

WITNESS: **HYMAN SCHOENBLUM – STAFF**

PAGE NO.	**LINE NO.**	**CHANGE**
18	22	Change "the testimony of witness Rebecca Klein" to "pages 43-44 of witness Paul Southerland's testimony, his Exhibit No. ____ (PS-19a), and the testimony of witness Rebecca Klein"
Exhibit		Delete first Exhibit attached to the testimony, the Wisconsin Study of Saber (HS-2), as this is a duplicate exhibit.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 150171-EI

ERRATA SHEET

WITNESS: **PAUL SUTHERLAND – STAFF**

PAGE NO.	LINE NO.	CHANGE
3	23	Change "RRBs not ABS for Financial Reporting" to "Securitized Utility Property Not A Financial Asset;"
3	24	Change "Exhibit No. ____ (PS-1c), FASB ASC;" to "Exhibit No. ____ (PS-1b), Accountants Handbook;"
3	25	Change "Exhibit No. ____ (PS-1b), Accountants Handbook;" to "Exhibit No. ____ (PS-1c), FASB ASC;"
4	9	Delete line.
4	10	Delete line.
4	13	Change "Credit Spreads for Auto Loan ABS vs. Credit Card ABS;" to "Saber Partners Report – Analysis of Ohio Power Pricing;"
4	23	Change "2010 to Present; and" to "Spreads – Citigroup vs. J.P. Morgan;"
4	24	Change "Exhibit No. ____ (PS-20), Utility Securitization Transactions since 1997." To "Exhibit No. ____ (PS-19a), AEP Sidley MS Email; and"
4	25	Add ""Exhibit No. ____ (PS-20), Utility Securitization transactions since 1997."
8	11	Change "that securitized" to "that the property collateralizing the securitized"
8	11-12	Change "as" to "as 'financial assets,' and those bonds therefore should not be treated"

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET: 150148-EI EXHIBIT: 89
PARTY: Staff
DESCRIPTION: Errata of Paul Southerland

PAGE NO.	**LINE NO.**	**CHANGE**
8	12-13	Change "See Exhibit No. ____ (PS-1a), attached to my testimony.)" to "See Exhibit Nos. ____ (PS-1a), ____ (PS-1b), and ____ (PS-1c), attached to my testimony."
12	8	Change "formula, either" to "formula, usually either"
14	13	Delete "____ (PS-2)."
15	6	Delete "Please."
15	17	Delete "have been"
25	15	Change "period)" to "period, excluding the 2012 CenterPoint transaction)"
32	10	Change "(PS-12)." to "(PS-15)."
35	14	Delete "See my"
44	7	Change "(PS-19)," to "(PS-19a),"
Exh (PS-1)		Replace Exhibit with color version of same Exhibit
Exh. (PS-1a)	Title	Change to "Securitized Utility Property Not a Financial Asset"
Exh. (PS-1b)		Replace Exhibit with color version of same Exhibit
Exh. (PS-3)		Replace Exhibit with color version of same Exhibit
Exh. (PS-4)		Replace Exhibit with color version of same Exhibit
Exh. (PS-5)		Replace Exhibit with color version of same Exhibit
Exh. (PS-6)		Replace Exhibit with color version of same Exhibit
Exh. (PS-6a)		Replace Exhibit with color version of same Exhibit
Exh. (PS-7)		Replace Exhibit with color version of same Exhibit
Exh. (PS-7a)		Delete (Exhibit was inadvertently included)
Exh. (PS-8)		Delete (This is a duplicate of Shoenblum's Exhibit No. ___(HS-1))

PAGE NO.	**LINE NO.**	**CHANGE**
Exh. (PS-9)		Replace Exhibit with color version of same Exhibit
Exh. (PS-10)		Replace Exhibit with color version of same Exhibit
Exh. (PS-11)	Title	Change to "Saber Partners Report – Analysis of Ohio Power Pricing" and
Exh (PS-11)		Replace Exhibit with color version of same Exhibit.
Exh. (PS-12)		Replace Exhibit with color version of same Exhibit
Exh. (PS-13)		Replace Exhibit with color version of same Exhibit
Exh. (PS-14)		Replace Exhibit with color version of same Exhibit
Exh. (PS-17)		Replace Exhibit with color version of same Exhibit
Exh. (PS-17a)		Replace Exhibit with color version of same Exhibit
Exh. (PS-18)		Replace Exhibit with color version of same Exhibit
Exh. (PS-19)	Title	Change to "10-Year AAA Stranded Assets Spreads – Citigroup vs. J.P. Morgan" and
Exh. (PS-19)		Replace Exhibit with color version of same Exhibit
Exh. (PS-19a)		Add new Exhibit ____ (PS-19a)