

FORT MYERS

12731 World Plaza Lane
Suite 2
Fort Myers, Florida 33907
(239) 288-4027 Tel
(239) 288-4057 Fax

TAMPA

2502 Rocky Point Drive
Suite 1060
Tampa, Florida 33607
(813) 281-2222 Tel
(813) 281-0129 Fax

TALLAHASSEE

1500 Mahan Drive
Suite 200
Tallahassee, Florida 32308
(850) 224-4070 Tel
(850) 224-4073 Fax

FORT LAUDERDALE

110 East Broward Boulevard
Suite 1700
Fort Lauderdale, Florida 33301
(954) 315-3852 Tel

Nabors Giblin & Nickerson P.A.

ATTORNEYS AT LAW

May 12, 2014

VIA HAND DELIVERY

Carlotta Stauffer, Commission Clerk
Office of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

RECEIVED-FPSC
14 MAY 12 PM 3:41
COMMISSION
CLERK

Re: Docket No. 140059-EM – Notice of new municipal electric service provider and petition for waiver of Rule 25-9.044(2), F.A.C., by Babcock Ranch Community Independent Special District.

Dear Ms. Stauffer:

The following are the responses of the Babcock Ranch Community Independent Special District (“Babcock Ranch District” or “District”) to Commission Staff’s data request dated April 22, 2014:

1. Please explain how the Babcock Ranch meets the definition of “electric utility”, subject to the Commission’s jurisdiction, per Section 366.02(2) Florida Statutes (F.S.)?

RESPONSE:

- Section 366.02(2), F.S., includes within its definition of an “electric utility” any municipal electric utility.
- Although the Babcock Ranch District is not a municipality, it is an independent special district with numerous municipal powers, including the power to provide electric service and related infrastructure, either directly or by means of agreements or public private partnerships.
- Past orders of the Commission establish that the Commission regards the Reedy Creek Improvement District as a municipal electric service provider based on its extensive municipal powers and its existence as a unit of government, as established by law.
- With respect to the municipal nature of each, there is no material distinction between the Reedy Creek District and the Babcock Ranch District. They both were created by the Legislature as a unit of government for the special purpose to provide municipal services. The Babcock Ranch District anticipates that the Commission, in treating similarly

COM	_____
AFD	_____
APA	_____
ECO	1
ENG	1
GCL	3
IDM	_____
TEL	_____
CLK	_____

situated parties similarly, shall treat the Babcock Ranch District as a municipal service provider, just as it treats the Reedy Creek District in this fashion, subject to regulations that are appropriately enforced against municipalities that provide electric services.

2. Please provide a map of the Babcock Ranch Development that clearly delineates the area of the development that falls within Lee County Electric Cooperative's existing electric service territory; the area of the development that falls within Florida Power & Light Company's existing electric service area; and the location of distribution and transmission facilities Babcock Ranch plans to construct to serve the development.

RESPONSE:

- Attached as Appendix 2-A is a map showing the location of the LCEC and FPL service territories within the District's boundary. The map attached as Appendix 2-B shows the location of LCEC distribution conductors and indicates whether LCEC has been granted easement rights at the location of said conductors. Please be advised that LCEC facilities located along SR 31 are on property owned by Babcock Property Holdings, and that LCEC has no possessory rights to the property at this location; rather, LCEC facilities exist on the property along SR 31 by verbal license only. As also indicated on Appendix 2-B, LCEC has been granted easements for distribution conductors in two other locations.
- The District will evaluate, consistent with the terms of the Babcock Ranch Law, which alternative for providing service within its boundaries is the most appropriate for meeting the special purpose of the District, and will make provisions accordingly, *i.e.*, direct ownership and operation of facilities; ownership of facilities but contract for operation; public-private partnership; agreement with third party to provide service in lieu of the District. Attached as Appendix 2-C is a copy of the October 18, 2007 Validation Report to the District prepared by Fishkind & Associates, Inc. This report confirms that the District capital improvement plan contemplates up to \$126,732,000 in investments by the District in Electrical/Communications facilities.

3. What options does Babcock Ranch contemplate to acquire the electricity to serve its proposed development?

RESPONSE:

- The District will evaluate the most appropriate alternative for providing service within its boundaries. Where the power to serve customers in the District is generated and who shall be the provider of such power will be determined after the District decides the best means of providing electric service within its boundaries. The FPL/LCEC Territory Agreement divides the area within the District between those two utilities. Pursuant to a full requirements contract, FPL provides 100% of LCEC's power. If either FPL or LCEC provide service within the District boundaries, their sales will represent demand on the FPL system. Though it has yet to be determined by which means the District will

provide electric service and facilities within its boundaries, due to the cost of generation facilities and wheeling power, the most likely scenario will have FPL-generated power serving the load. The plans of FPL to construct solar power generation facilities on the Developer's property within the District also should be noted.

4. Who will construct Babcock Ranch's electric facilities?

RESPONSE:

- As described above, and further below, this is yet to be determined. The Babcock Ranch Law requires the District to ensure that the electric facilities necessary to serve the District are constructed in the most cost efficient and environmentally friendly manner possible, while limiting urban sprawl.
- LCEC suggests in its motion to dismiss the District's Notice that the District has waited seven years to act upon the legislatively-granted electric service power. Attached as Appendix 4-A is a copy of a letter dated January 27, 2009, from LCEC's Executive Vice-President to the Chairman and CEO of Kitson & Partners, an organization affiliated with the Developer, in which LCEC acknowledges that it was working with Developer "in planning electric service to the Babcock Ranch community." LCEC's representative further informs the Developer affiliate that LCEC intends to accommodate the request from Developer that the Babcock community "be served by a single electric provider – in this case FPL." LCEC's CEO states "[w]hile each of the stakeholders has a responsibility to protect the interests of their respective constituents, we fully expect to be able to reach a mutually acceptable agreement achieving that end." The letter then concludes noting LCEC's full requirements power agreement with FPL and "the green technologies envisioned for Babcock Ranch."
- Obviously, no mutually acceptable agreement was reached, however, the District and Developer have not been idle in their efforts to arrange for the most cost-effective, environmentally friendly manner of providing electric service in the District's electric service territory.
- The District's decision as to who will construct the necessary electric facilities will not be known until arrangements conducive to such result are made.

5. Please provide all cost projections, cost studies, or other cost estimates, if any, regarding the construction of Babcock Ranch's proposed electric facilities.

RESPONSE:

- The District is requesting the Commission's acknowledgement of the District as a municipal electric service provider with the authority to provide electric service and related facilities within the Legislature's established service boundary. At this stage, the District has not proposed any facilities, and the District will not do so until it has determined that facilities constructed or owned by it will be the method of providing

electric service which best conforms with the District's legislatively declared requirements to provide the most efficient, environmentally friendly means of providing such service, while avoiding sprawl. The Commission's acknowledgement of the District's authority in this regard is a precursor to the planning the District shall undertake because the existence of the current Commission-approved territory agreement between FPL and LCEC breeds hesitation among the third parties the District must engage to initiate such planning.

- Although the means of providing electricity by the District has not yet been determined, and facilities planning and power procurement have not yet occurred, there is no urgency in the timing of these matters since development and need for power is entirely within the control of the District and the Developer who, with its affiliates, is the single owner of all land within the District. The planning, financing, construction, and power procurement activities of the District shall not differ from those activities which all electric providers must conduct. The fact that the District has chosen not to expend funds to initiate these activities until the Commission confirms the District's rights under the Babcock Ranch Law does not impede the Commission's ability to acknowledge such rights. The same Legislature that granted the District such rights and powers is the same Legislature which granted the Commission jurisdiction to decide territory disputes. It is not logical to suggest that by identifying the District's electric service area boundary, the Legislature anticipated that the Commission would then have the power to limit such area pursuant to other legislatively-granted Commission powers.

6. Does Babcock Ranch intend to connect its electric facilities to Florida's statewide electric grid? If so, where will those connections be made? If not, how is that consistent with Chapter 366, F.S., specifically Sections 366.04 and 366.05, F.S.?

RESPONSE:

- The District envisions the distribution facilities within the District will be connected to the statewide grid, regardless of the means selected by the District to provide electric service and related facilities.

7. Why has Babcock Ranch not requested a waiver of Rules 25-6.0440 or 25-6.0441, Florida Administrative Code (F.A.C.)?

RESPONSE:

- Rule 25-6.0440, F.A.C, relates to territorial agreements. The District has not entered into, and is not seeking approval of a territorial agreement. If, in the future, the District negotiates such an agreement, it will comply with the provisions of the Rule.
- Rule 25-6.0441, F.A.C, relates to territorial disputes. The District's request is not a request to resolve a territorial dispute. It is a request that the Commission acknowledge the right of the District, granted by the Legislature, to provide electric service and related

facilities within District boundaries, less the de minimis area where extremely limited service is currently provided by LCEC to five locations. The Legislature has empowered the District to provide electric service and related facilities within District boundaries, thereby altering the rights of LCEC and FPL under their existing agreement. The District is not attempting to resolve a dispute among itself, FPL and LCEC, rather the District seeks official recognition from the Commission of its legislatively-granted rights to remove doubt from the minds of third parties and create a pathway for planning necessary for the District to provide service within the District, either directly or by means of agreements or public private partnerships. The District is not seeking to resolve a dispute in the sense contemplated by the Rule, thus the District believes that it is unnecessary to seek a waiver of the rules indicated.

8. Where specifically in Chapter 2007-306, Laws of Florida, does the statute provide that Babcock Ranch is a municipality and/or a municipal utility?

RESPONSE:

- LCEC ignores the fact that it is the Legislature, from which the Commission derives its power, which has granted the Babcock Ranch District the power to provide electric service and related infrastructure, in addition to a plethora of other municipal powers. The Babcock Ranch Law is replete with references to these "municipal" powers and the District's status as a special purpose unit of government. The Babcock Ranch District is not an investor-owned entity or an electric cooperative, but rather has been established by the Legislature as a unit of government, with corresponding powers to issue tax exempt, levy special assessments to District residents and take such further actions of a governmental nature – none of which are available to investor-owned utilities or electric cooperatives.
- The District is empowered to plan for, provide, finance, and construct a wide range of municipal services, including electric service, water, sewer, communications, garbage, police and other security apparatus, and fire protection services, as well as schools, town center and meeting facilities, sidewalks, affordable housing projects, and generally "to provide for any facilities or improvements that may otherwise be provided for by any county or municipality including, but not limited to, libraries, annexes, substations, and other buildings to house public officials, staff and employees." Ch. 2007-306, § 6(7)(r), Laws of Fla. These powers are virtually indistinguishable from those powers granted by the Legislature to the Reedy Creek Improvement District. The Commission has always treated the Reedy Creek District as a municipal service provider for the purposes of electric utility regulation. In re: Reedy Creek Utilities, Inc. – 1987 Depreciation Study for Reedy Creek Utilities Electric Division, Docket No. 871610-E1 (Order No. 18383, issued November 4, 1987). The District anticipates that the Commission will apply the same treatment to the Babcock Ranch District, consistent with the principle that similarly situated parties must be treated similarly.

9. Has Babcock Ranch complied with the requirements of Chapter 165, F.S., particularly Sections 165.041 and 165.061, F.S.?

RESPONSE:

- The District is a special single purpose unit of government, not a municipality, and it is not governed by Chapter 165, F.S.

10. Has Babcock Ranch filed a municipal charter with the Department of State? If so, please provide a copy. If not, does Babcock Ranch intend to file a municipal charter with the Department of State, and if not, why not?

RESPONSE:

- The Babcock Ranch District is not a municipality; however, it is a special purpose unit of local government. Although the District is not a municipality, it is, under Commission precedent, a municipal service provider for the purposes of electric utility regulation in the same way that the Commission has recognized the Reedy Creek District to be so.
- Because it is not a municipality, the Babcock Ranch District has not filed a municipal charter with the Department of State, and does not intend to do so.
- Pursuant to the Babcock Ranch Law, the District is subject to Chapter 189, F.S., and the Babcock Ranch Law, as the District's charter, has been filed with the Department of Economic Opportunity in compliance therewith.

11. What is the underlying statute Babcock Ranch proposes to fulfill in requesting a waiver of Rule 25-9.044, Florida Administrative Code (F.A.C.)?

RESPONSE:

- The waiver requested by the District is intended to fulfill the Legislature's dictate in the Babcock Ranch Law that the District act deliberately to develop lands within the District and provide municipal services therein, including electric service, in the most cost efficient and environmentally friendly manner possible, while avoiding urban sprawl.
- It is unclear that the Rule applies to the Babcock District. The Commission has no rule which directly applies to the District's situation; however, the Legislature created the District, gave the District its powers, identified its boundaries and dictated that the District provide electric service and related infrastructure or make provision for such service in the manner which is most cost-efficient, environmentally friendly and so as to avoid urban sprawl. Strict application of the rule would require the District to adopt the rates, fees and charges of FPL, LCEC, or both of them. Since neither utility provides service currently in the area identified by the District, it cannot be determined with certainty which rates, fees and charges would apply. Moreover, the Legislature did not establish any time limitation upon the District's implementation of powers relating to

electric service in the District. The Reedy Creek District took 20 years before it chose to exercise its legislatively-granted powers to provide such service. Commission action requiring the District to file an essentially useless tariff would appear to be exactly the type of inefficiency which the Legislature created the District to avoid.

- The rule along with other tariff rules that apply to electric utilities, implement ss. 366.04(2)(b) and (f), F.S., which place municipal utilities and rural electric cooperatives subject to the Commission's jurisdiction to prescribe rate structures and to prescribe and require the filing of periodic reports and other data **as may be reasonably available** and as necessary for the Commission to exercise its jurisdiction.
- The Commission's rules requiring municipal utilities to file tariffs implement the Commission's authority under these statutory provisions. See Tallahassee v. Mann, 411 So. 2d 162 (Fla. 1981).
- The requested rule waiver relieves the District only temporarily from the tariff filing requirement, but meets the purpose of the underlying statute because no customer would be subject to rates that are not on file with the Commission. The District commits to filing tariffs, or causing tariffs to be filed, as may be required by the Commission prior to the initiation of service within the District by itself or any entity providing service in lieu of or on behalf of the District. The Commission maintains its ability to monitor and prescribe rate structures, and to have filed with it by the District any information needed for that purpose.
- The District could simply copy the contents of the FPL and LCEC tariffs and file such documents with the Commission, thus complying with the rule. However, requiring the District to file tariffs to report FPL and LCEC rates that likely will never take effect would be an inefficient and unproductive use of the Commission's regulatory powers – no customer would be protected by such actions and no regulatory purpose would be served. LCEC's insistence on such a futile act is precisely what the Legislature is attempting to prevent when it dictated in the Babcock Ranch Law that the interests of both public and private entities should be subjugated to the fulfillment of the legislative purposes expressed therein.
- The District requests an acknowledgement by the Commission as to its power and authority to provide electric service within the Babcock Ranch District boundary, as limited by Appendix C of the Notice.

12. How will that underlying statute be fulfilled if the Commission grants Babcock Ranch a waiver of Rule 25-9.044, F.A.C.?

RESPONSE:

- See answer to question 11.

13. Please describe specifically the economic, technological, legal, or other hardship Babcock Ranch will suffer if the Commission does not grant Babcock Ranch a waiver of Rule 25-

9.044, F.A.C.?

RESPONSE:

- See answer to question 11.

14. Please describe specifically how principles of fairness will be violated if the Commission does not grant Babcock Ranch a waiver of Rule 25-9.044, F.A.C.?

RESPONSE:

- See answer to question 11.

If you have any questions, please feel free to contact me.

Very truly yours,

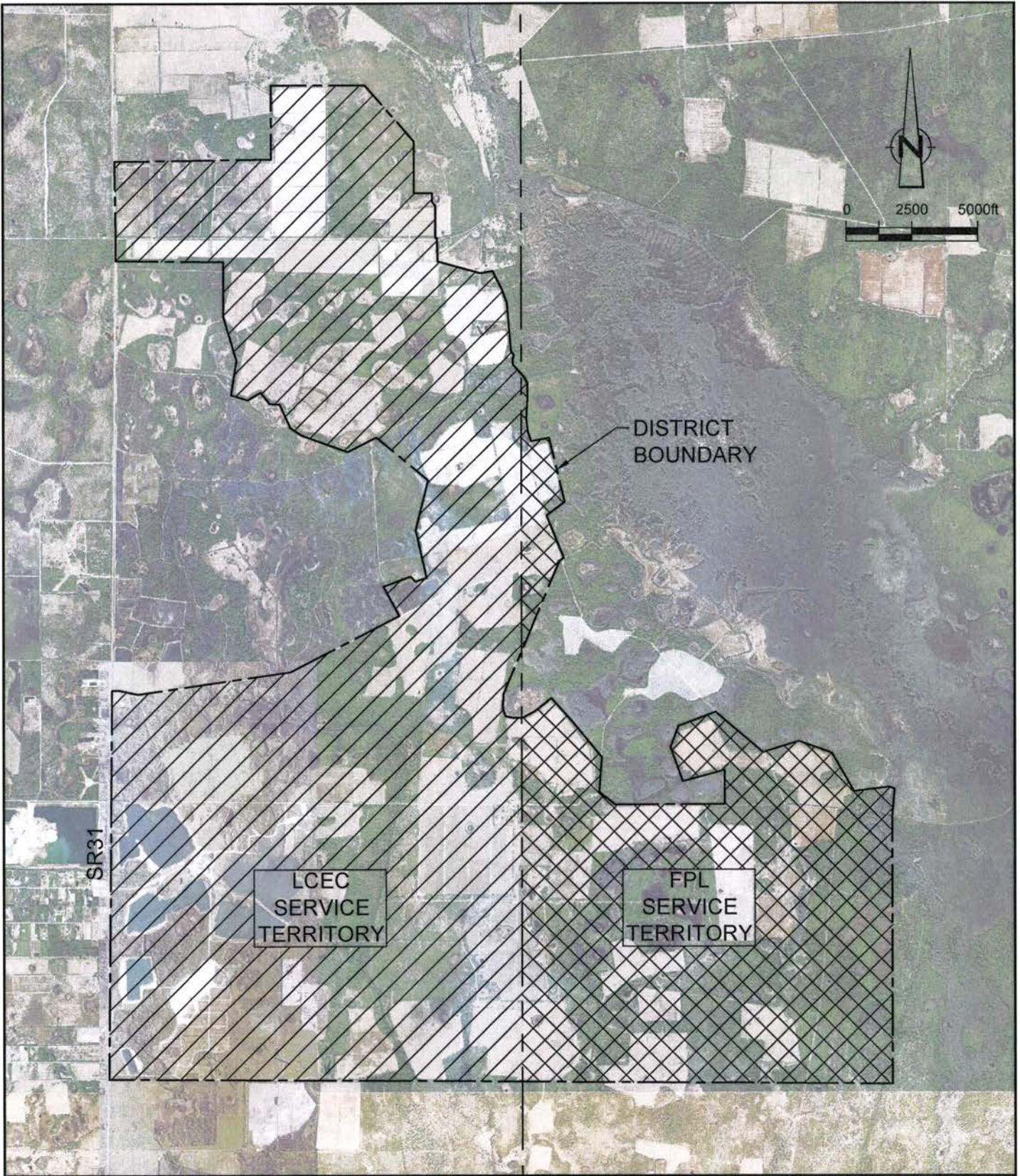


William C. Garner
For Brian Armstrong

Enclosures

cc: D. Bruce May, Jr., Esq. (via e-mail)
Kevin Cox, Esq. (via e-mail)
Mr. Dennie Hamilton (via e-mail)
Mr. Frank R. Cain, Jr. (via e-mail)
John T. Butler, Esq. (via e-mail)
Scott A. Goorland, Esq. (via e-mail)

APPENDIX 2-A



BABCOCK RANCH

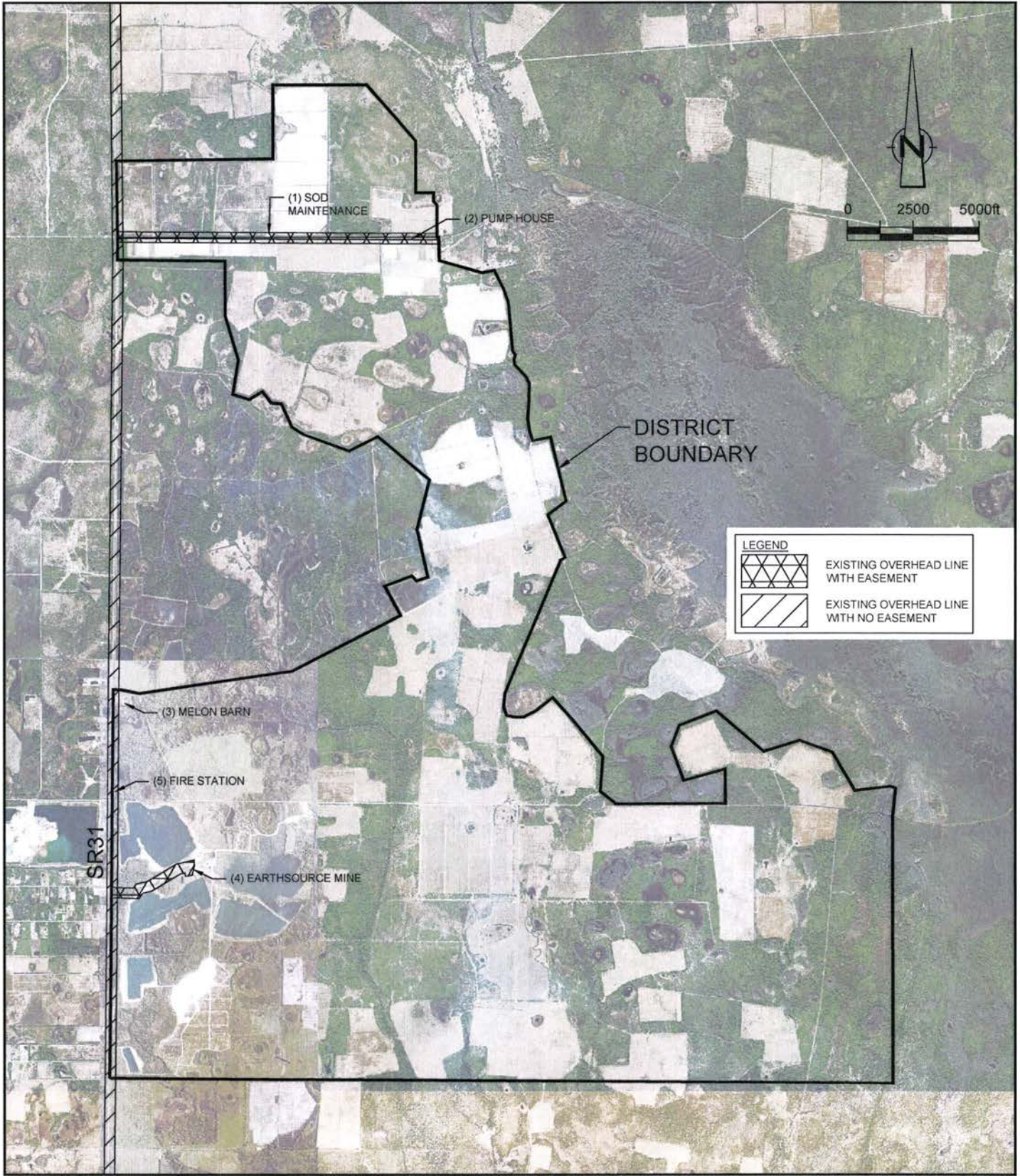


**CONESTOGA-ROVERS
& ASSOCIATES**

LCEC & FPL LAND SPLIT EXHIBIT

Date	PROJECT NO.	Report No.	Scale	Drawing No.
APRIL 2014	094793-06	001	NTS	GN-01

APPENDIX 2-B



BABCOCK RANCH



**CONESTOGA-ROVERS
& ASSOCIATES**

LCEC EXISTING LINE LOCATION EXHIBIT				
Date	PROJECT NO.	Report No.	Scale	Drawing No.
APRIL 2014	094793-06	001	NTS	GN-01

**VALIDATION REPORT FOR
BABCOCK RANCH
COMMUNITY
INDEPENDENT SPECIAL
DISTRICT**

Updated October 18, 2007

Prepared for

Board of Supervisors
Babcock Ranch Community Independent
Special District

Prepared by

Fishkind & Associates, Inc.
12051 Corporate Boulevard
Orlando, Florida 32817
407-382-3256

APPENDIX 2-C

Executive Summary

- This report presents the Financial Advisor's estimate for the total par amount of bonds needed to fund the capital improvement program for the Babcock Ranch Community Independent Special District.
- The estimate is based on three factors.
 - The District Engineer's estimate for the capital improvement program;
 - The Financial Advisor's projections for construction cost inflation of 5% per year based upon the average increase in the producer price index for highway and street construction 2001-2007 published by the Bureau of Labor Statistics; and
 - The Financial Advisor's estimate for the bond size needed to produce the required construction funding.
- The District Engineer estimates that the capital improvement program to cost \$4,293,800,365 without inflation. On a per acre basis this equates to approximately \$315,026 over +/- 13,630 acres in the District. This cost per acre for the CIP is higher than typical developments because of two special factors: (a) the extraordinary costs for the offsite roadway improvements and (b) the costs to avoid the extensive wetlands on the property.
- The capital improvements will be constructed in phases over a 30-year horizon through 2037. Including an allowance for inflation over this period of 5% per year results in an estimated cost of \$8,391,996,632.
- To generate capital funding of \$8,391,996,632 the Financial Advisor estimates that a total of \$10,348,895,000 in bonds would be issued by the District.
- Therefore, the Financial Advisor recommends that the Board authorize its staff to proceed with validation of \$10,500,000,000. The additional amount of bonds will provide a prudent cushion for the District in light of the lengthy horizon over which the District will construct and fund its capital improvement program.

APPENDIX 2-C

1.0 Background

The Babcock Ranch Community Independent District ("District" or "BRCISD") is an independent special district established pursuant to Chapter 2007-306 Laws of Florida. The District is located in Charlotte County comprising over 13,630 acres.

2.0 Land Development Plan

Babcock Property Holdings, L.L.C. ("Developer") is the owner of 100% of the land in the District. The Developer is in the process of planning and permitting its Babcock Ranch Community ("Project") on approximately 17,588 acres in Charlotte and Lee Counties. The District covers 13,630 acres of the Project lying in Charlotte County. The current land plan, subject to change, for the lands in the District is summarized in Table 1. Note that approximately 62 acres is planned for conveyance to Town and Country Utilities in the first quarter of 2008.

Table 1. Development Plan for BRCISD in Charlotte County

Category	Volume
Single-family Homes	
Small	2,300
Medium	3,400
Large	1,642
Multifamily Homes	
Rental Units	1,000
Small	7,679
Medium	1,000
Large	849
	=====
Total Residential	17,870
Non Residential	
Office	2,064,057
Retail	2,925,943
Hotel	360,000
Industrial	650,000
	=====
Total Non Residential Square Feet	6,000,000

Source: Developer

The land plan also includes 54 holes of golf and various ancillary uses including educational service center, library, park buildings, schools, places of worship, and university research facilities and regional and community park sites.

APPENDIX 2-C

3.0 Capital Improvement Program

The District Engineer has developed a cost estimate for the Capital Improvement Plan ("CIP") necessary to provide the District with infrastructure necessary to support the development program outlined in Table 1. The District Engineer estimates the cost for the CIP at \$4,293,800,365 without allowance for inflation (See Table 2). The CIP will be installed in four or more phases according to the Engineer's Report over 30-years.

Table 2. Cost Estimate for the CIP

Item	Description	Amount
1	Off Site Roadways	\$622,510,308
2	Onsite Spine Roads	\$163,900,497
3	Onsite Spine Utilities	\$53,000,000
4	Electrical/Communication	\$126,732,500
5	Pod Infrastructure	\$951,879,725
6	Pod Entry Features	\$38,515,415
7	Environmental Mitigation	\$37,439,590
8	Stormwater Management	\$19,500,000
9	Trails/Greenways	\$319,957,302
10	Recreation	\$98,560,000
11	DO Requirements	\$63,270,000
12	Permitting	\$12,512,526
13	Schools	\$235,000,000
14	Affordable Housing	\$437,815,000
		=====
15	Sub-Total:	\$3,180,592,863
16	Soft Costs	\$477,088,929
17	Contingency	\$636,118,573
		=====
18	TOTAL	\$4,293,800,365

Source: District Engineer's Report October 17, 2007

The Financial Advisor estimates that construction cost inflation will escalate at a rate averaging 5% per year based on the average annual increase in the producer's price index for highway and street construction from 2001-2007 published by the Bureau of Labor Statistics. Including an annual inflation allowance of 5% per year generates an estimated construction cost of \$8,391,997,000 for the CIP. Table 3 provides the cost estimates for the CIP including inflation but excluding financing costs

APPENDIX 2-C

Validation Report

**Table 3. Cost Estimate for the CIP by Phase Including Inflation
(In \$Millions)**

Category	Total	2007-2010	2011-2015	2016-2020	2021-2025	2026-2037
Roads	\$2,257	\$127	\$406	\$519	\$529	\$676
Utilities/Water Management/Drainage/Environmental	\$1,578	\$89	\$284	\$362	\$370	\$472
Landscaping/Entry Features/Recreation	\$264	\$15	\$47	\$61	\$62	\$79
Greenways/Schools/ Other	\$2,118	\$119	\$381	\$486	\$497	\$634
Soft Costs/Contingencies	\$2,176	\$123	\$392	\$500	\$510	\$651
	=====	=====	=====	=====	=====	=====
Total	\$8,392	\$473	\$1,510	\$1,928	\$1,968	\$2,512

4.0 Bond Financing Plan

The District plans to fund its CIP cost of \$8,391,997,000 by issuing tax-exempt bonds secured by special assessments on all benefiting property in the District. The bonds would be issued in series from time-to-time to fund the phased construction of the CIP. Table 4 provides the bond sizing needed to generate the funds needed for the CIP.

Table 4. BRCISD Bond Funding Program (\$Millions)

Category	Total	2007-2010	2011-2015	2016-2020	2021-2025	2026-2037
Construction Fund	\$8,392	\$473	\$1,510	\$1,928	\$1,968	\$2,512
Debt Service Reserve Fund	\$834	\$47	\$150	\$192	\$196	\$250
Capitalized Interest Fund	\$1,102	\$62	\$198	\$253	\$258	\$330
Underwriter's Discount	\$19	\$1	\$3	\$4	\$4	\$6
Cost of Issuance	\$3	\$1	\$1	\$1	\$1	\$1
Rounding	\$0	\$0	\$0	\$0	\$0	\$0
	=====	=====	=====	=====	=====	=====
Total Par Bonds	\$10,350	\$584	\$1,863	\$2,377	\$2,427	\$3,098

The Financial Advisor estimates that the District will issue a total of \$10,350,000,000 in bonds to generate the needed construction funding. In addition, the bonds will fund a debt service reserve which is necessary to market the bonds. The bond proceeds will also fund capitalized interest for up to 36 months. The underwriter's discount is set at market rates of 1.7%. The cost of issuance is typical for the size and complexity of the proposed financing plan.

APPENDIX 2-C

Validation Report

5.0 Recommended Validation Amount

The Financial Advisor recommends the Board validate \$10,500,000,000. The extra increment of bonds is prudent in light of the size, complexity and long time horizon for the bond funding program outlined above.

APPENDIX 4-A



Lee County Electric Cooperative, Inc.
Post Office Box 3455
North Fort Myers, FL 33918-3455
(239) 995-2121 • FAX (239) 995-7904
www.lcec.net

January 27, 2009

Mr. Sydney W. Kitson
Chairman and CEO
Kitson & Partners
4500 PGA Boulevard, Suite 400
Palm Beach Gardens, FL 33418

Syd
Dear Mr. Kitson:

SUBJECT: Electric Service to Planned Babcock Ranch Community

Lee County Electric Cooperative, Inc. (LCEC) is pleased to continue working with Kitson & Partners in planning electric service to the Babcock Ranch community which you are developing. Your vision for the community is inspiring, and we support your energetic efforts to make that vision a reality.

While we are proud of the reliable electricity, quality customer service, and reasonable prices we offer, we understand your request that the community, which currently lies within the certificated service territories of both LCEC and Florida Power & Light (FPL), and its future residents be served by a single electric provider – in this case FPL. This letter is to inform you that LCEC intends to accommodate your request, subject to successful agreement to terms and conditions yet to be determined between LCEC and FPL and the subsequent associated approval of the Florida Public Service Commission (FPSC). While each of the stakeholders involved has a responsibility to protect the interests of their respective constituents, we fully expect to be able to reach a mutually acceptable agreement achieving that end.

We will continue to work diligently through Kitson & Partners with FPL to finalize such an agreement and remain an interested and responsible corporate citizen of Southwest Florida, albeit one disappointed at the prospect of not serving Babcock Ranch as a customer member.

Also, as LCEC has entered into a separate agreement with FPL for the wholesale purchase of electricity beginning in 2014, which is pending approval from the FPSC, should the green technologies envisioned for Babcock Ranch result in renewable energy resources being a part of the FPL electric generation portfolio, we anticipate that LCEC would share per the agreement in the costs and benefits of such projects. To that end, LCEC would appreciate your support of that agreement, which we would be pleased to discuss further.

With high regard,

Dennie Hamilton
Executive Vice President
& Chief Executive Officer