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January 13, 2006

VIA HAND DELIVERY

Ms. Blanca S. Bayó, Director
Division of the Commission Clerk and
Administrative Services
Florida Public Service Commission
Betty Easley Conference Center
2540 Shumard Oak Boulevard, Room 110
Tallahassee, FL 32399-0850

**Re: Florida Power & Light Company Petition for Issuance of a Storm Recovery
Financing Order**

Dear Ms. Bayó:

Enclosed for filing on behalf of Florida Power & Light Company ("FPL") are an original and fifteen (15) copies of the following:

1. FPL's Petition for Issuance of a Storm Recovery Financing Order; and
2. Direct Testimony and Exhibits of FPL witnesses Richard E. Brown, K. Michael Davis, Moray P. Dewhurst, Leonardo E. Green, Steven P. Harris, Rosemary Morley, Wayne Olson, Mark Warner, and Geisha J. Williams,

Also enclosed is a diskette containing FPL's Petition in Word. Please contact me should you or your Staff have any questions regarding this filing.

Sincerely,

R. Wade Litchfield

RWL:ec

Enclosures

cc: William Cochran Keating, Florida Public Service Commission (w/enclosures)

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an FPL Group company

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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In re: Florida Power & Light Company's)
Petition for Issuance of a Storm Recovery)
Financing Order)

Docket No: 060038 - EI
Filed: January 13, 2006

**FLORIDA POWER & LIGHT COMPANY'S
PETITION FOR ISSUANCE OF A
STORM RECOVERY FINANCING ORDER**

Florida Power & Light Company ("FPL" or the "Company"), by its undersigned counsel, respectfully petitions the Florida Public Service Commission ("PSC" or "Commission") pursuant to Sections 366.04, 366.05, and 366.8260 of the Florida Statutes (2005), Rule 25-6.0143, Florida Administrative Code, and relevant orders of the Commission for entry of a storm recovery financing order substantially in the form attached hereto, or, in the alternative, an order approving the establishment of a storm cost recovery surcharge, and, irrespective of the method of cost recovery implemented, for approval of FPL's prudently incurred storm-recovery costs related to the 2005 storm season (this "Petition").

Introduction

Utilities such as FPL are entitled to recover prudently incurred costs to provide electric service. Storm recovery costs are a cost of providing electric service in Florida, but are not reflected in FPL's base rate charge.¹ Thus, storm-recovery costs must be recovered through means other than FPL's base rate charge. Windstorm insurance coverage, secured on behalf of customers and in the past included as a part of FPL's cost to provide electric service, was no

¹ Prior to the Stipulation and Settlement Agreement approved by the Commission in Docket No. 050045-EI, \$20.3 million, a relatively small portion of the expected annual cost of storm restoration, was reflected in the Company's base rate.

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longer cost-effectively available following Hurricane Andrew in 1992. Pursuant to prior Commission orders and consistent with Rule 25-6.0143, Florida Administrative Code, FPL has established a storm and property insurance reserve (Account No. 228.1) (“Reserve”) in amounts that were intended to be sufficient to cover, among other things, storm-recovery costs associated with most but not all storm seasons. Consistent with past Commission policy and practice, in cases of extreme weather and restoration costs, a special assessment or surcharge is an appropriate means to recover the cost of storm restoration in excess of the Reserve. A long period of relatively mild hurricane seasons allowed the Reserve to grow to \$354 million prior to being depleted as a result of the unprecedented 2004 storm season, leaving the Company’s Reserve with a large deficit to recover through a special assessment. Pursuant to FPSC Order No. PSC-05-0937-FOF-EI, issued September 21, 2005, in Docket 041291-EI, FPL’s prudently incurred 2004 storm season costs in excess of the Reserve currently are being recovered through a monthly storm recovery surcharge equal to \$1.65 for the typical residential bill (1,000 kilowatt-hours (“kWh”)) (“2004 Storm Restoration Surcharge”).

In its base rate proceeding last year in Docket No. 050045-EI, FPL proposed to increase base rates by an amount sufficient to cover the expected average annual cost of storm restoration plus an amount to replenish the Reserve in a reasonable period of time. The parties to the Stipulation and Settlement Agreement in Docket No. 050045-EI (“Settlement Agreement”) elected instead to hold base rates constant by providing for the recovery of all such costs outside of the Company’s base rates. Replenishment of the Reserve and recovery of the cost of restoring power in the wake of storms was to be accomplished through means of a new financing vehicle approved by the Florida Legislature during its 2005 session and codified in Section 366.8260, Florida Statutes (2005), and/or through the more conventional mechanism of a special

assessment or surcharge. In approving the Settlement Agreement, however, the Commission expressed concern about being left without a more definite course of action to replenish the Reserve and strongly encouraged the Company to propose a plan at the earliest opportunity. FPL therefore files this petition in response to its commitment to the Commission to pursue a plan to replenish its Reserve within six months of the Commission's approval of the Settlement Agreement. See Order No. PSC-05-0902-S-EI, Docket Nos. 050045-EI, 050188-EI (issued September 14, 2005), at p. 5.

Indeed, FPL and its customers were subjected to another extremely destructive hurricane season in 2005. During 2005, FPL and its customers were affected by four hurricanes – Dennis, Katrina, Rita and Wilma. All four of the hurricanes impacted the most densely populated areas in FPL's service territory, Palm Beach, Broward and Miami-Dade counties, where 60% of FPL's customers reside. Hurricane Katrina made landfall near the Miami-Dade and Broward county line. Hurricane Wilma made landfall on the southwest coast of Florida and exited near Palm Beach, significantly impacting Palm Beach, Broward and Miami-Dade counties and causing more outages for FPL than any other previous storm. In addition to the damage to FPL's infrastructure, Hurricane Wilma caused significant damages to the communities that the Company serves. It has been reported that Hurricane Wilma could prove to be the worst storm to impact Miami since August 1992, when Hurricane Andrew caused more than \$25 billion in damage. The American Red Cross also has reported that over 27,000 dwellings were destroyed or rendered temporarily unlivable, an indication of the destruction caused by Hurricane Wilma. Hurricanes Dennis and Rita, while not making landfall in FPL's territory, traveled near enough for their outer bands to cause significant outages, particularly in Miami-Dade and Broward counties.

Of the four storms impacting FPL's service territory last year, the two storms inflicting the vast majority of damage to FPL's system in 2005 occurred subsequent to execution of the Settlement Agreement. Hurricane Wilma, a massive storm and the most destructive event of the season, swept across the most heavily populated areas within FPL's service territory and resulted in widespread damage to property and infrastructure, including huge portions of FPL's transmission and distribution system. In the heavily populated counties of Dade, Broward, and Palm Beach, 99% of our customers were without power once the storm passed. Unlike prior storms, Hurricane Wilma inflicted damage not just to distribution systems, but to transmission structures and substations throughout FPL's service territory. To repair the damage and restore service to more than 3.2 million customers in 21 counties, over 19,000 restoration workers, including approximately 9,200 foreign utility and other contractor personnel, from 36 states and Canada were deployed by FPL. A restoration team of this size had never before been assembled in FPL's 80 year history.

FPL's planning and execution before, during and after the 2005 storms was focused upon safely restoring the greatest number of customers in the least amount of time to return the communities the Company serves to normalcy. For the four 2005 storms, approximately 5.3 million customers required power restoration. For Hurricanes Dennis and Rita, customers were 100% restored within three and two days, respectively. For Hurricane Katrina, 77% of the customers affected were restored in three days, 95% in five days and 100% in eight days. For Hurricane Wilma, FPL restored service to over two million customers, or 65% of all affected customers by the fifth day, and 100% were restored by the eighteenth day. The high percentages accomplished in the first few days in each storm result from FPL's consistently applied restoration strategy – to restore devices that serve the largest number of customers first. FPL

further refined its processes and effectively managed field operations, while acquiring an extraordinary number of workers and managing many staging sites. As a result, FPL restored service to its customers and repaired its facilities in an expeditious and prudent manner. FPL submits that its 2005 storm-recovery costs as noted herein and described more fully in the Company's supporting testimony are reasonable and prudent, "with reference to the general public interest in, and the scope of effort required to provide, the safe and expeditious restoration of electric service", as provided for in Section 366.8260(2)(b)(1)(b), Florida Statutes.

As a result of the devastating impact of the 2005 storm season, in addition to the need to replenish the Reserve to a reasonable level for future storm seasons, FPL and its customers are left with an even larger deficit in the Reserve and a more urgent need to remedy the situation in anticipation of yet another potentially active storm season. Total estimated storm-recovery costs for 2005 are \$906.4 million, including \$721.7 million due to Hurricane Wilma, increasing the Reserve deficiency to a level of approximately \$816 million and leaving a deficit balance in the Reserve in excess of \$1.1 billion.

Historically, there have been periods of higher and lower hurricane activity. A growing body of climatological evidence suggests that the Atlantic basin has entered a more active period for hurricane formation. If true, an adequate and timely replenished Reserve is even more critical to meet the needs of another potentially active storm season in 2006.

As contemplated by Section 366.8260(2)(b)1.b., FPL requests that the Commission approve recovery of FPL's prudently incurred storm-recovery costs related to the 2005 storm season. Such recovery will enable FPL to continue to fulfill its statutory obligation to serve its customers by safely and expeditiously restoring power in the event of storms, with FPL being

timely reimbursed for its reasonable and prudently incurred storm-related costs. Further, such approval will reduce regulatory uncertainty associated with storm-related expenditures.

FPL requests that the Commission issue a Financing Order substantially in the form attached for FPL to implement storm-recovery financing as provided for in Section 366.8260. Specifically, FPL requests that the Commission approve the issuance of storm-recovery bonds in the amount of up to \$1,050 million, enabling: (i) recovery of the remaining unrecovered balance of the 2004 storm costs; (ii) recovery of the 2005 prudently incurred storm costs; (iii) replenishment of the Reserve to a level of approximately \$650 million; and (iv) recovery of the upfront bond issuance costs. Bonds are issued for the after-tax value of storm restoration costs to recognize the tax benefit received when storm restoration costs are deducted for income tax purposes. Thus, the \$1,039 (approximately) million of bond proceeds available after the payment of upfront bond issuance costs, provides approximately \$638 million to reimburse the Company for unrecovered storm costs and approximately \$400 million to replenish the fund (the after-tax equivalent of a \$650 million Reserve). A summary of the costs subject to FPL's request in this Petition are set forth in the attached document identified as Exhibit A.

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

As explained in this Petition and FPL's supporting testimony, approving such Financing Order will enable FPL to cause the issuance of storm-recovery bonds to recover in a timely

manner the storm-recovery costs that the Company incurred and advanced on behalf of its customers during the highly destructive back-to-back 2004 and 2005 storm seasons. The unrecovered portion of the 2004 storm-recovery costs also would be included for recovery in the subject financing, as well as FPL's prudently incurred 2005 storm-recovery costs. Thus, the 2004 Storm Restoration Surcharge would be terminated on the effective date of the new cost recovery mechanism implemented pursuant to the Financing Order and upon issuance of the storm-recovery bonds. Approving the requested Financing Order to recover storm-recovery costs incurred also will enable FPL to replenish the Reserve to a level of approximately \$650 million. Although a Reserve of \$650 million is not necessarily what the Company would project as an adequate Reserve level going forward, weighing a number of factors including (i) an expected average annual cost for windstorm losses of approximately \$73.7 million as determined by FPL's outside expert Mr. Harris, (ii) the possibility that Florida is in the midst of a much more active hurricane period relative to average levels of activity over the much longer term, (iii) the potentially diminished availability of non-T&D property insurance, (iv) the impact of the recent severe and unprecedented storm seasons on customer bills in the near term, and (v) the opportunity to revisit this issue in future proceedings, establishing a Reserve level of approximately \$650 million is reasonable at this time.

The financing that would be implemented pursuant to Section 366.8260 would provide customers with the benefit of lower cost long-term financing than otherwise would be available. From the point of view of FPL's customers, an issuance of storm-recovery bonds as proposed can reasonably be expected to result in a lower, relatively constant monthly storm charge of \$1.58 (based on recent market conditions) for the typical residential bill (1,000 kWh) over an approximate twelve-year period, in lieu of continuing the 2004 Storm Restoration Surcharge plus

other surcharges that would be needed to recover prudently incurred 2005 storm-recovery costs and begin to replenish the Reserve over a reasonable period of time. Moreover, assuming timely implementation of the proposed storm recovery financing, customers will have the benefit of a funded Reserve being immediately available during the peak of the 2006 storm season. The same cannot be said for the more traditional method of building the Reserve through base rate accruals and/or surcharges. In the past, FPL and its customers have had to experience extended periods of abnormally low storm activity for the base rate accrual to build the Reserve to a level that, nevertheless, proved to be well short of what was necessary to respond to the 2004 storm season, let alone back-to-back seasons of the magnitude experienced. The same also would be true of a surcharge unless it were sufficiently large to cover much more than just expected annual losses.

The storm cost recovery described in this Petition, and associated financing costs, would be paid for pursuant to an approximate twelve-year Storm Bond Repayment Charge that would be applied on a per kWh basis to all applicable customer classes. FPL customers would pay for any tax liabilities associated with the collection of the Storm Bond Repayment Charge through a similarly collected Storm Bond Tax Charge, to the extent such tax liabilities are not otherwise recovered from customers through other rates or charges. In connection with this filing, FPL is submitting proposed Storm Bond Repayment Charge and Storm Bond Tax Charge tariff sheets that will closely approximate the final figures, barring significant changes in the terms of an issuance of storm-recovery bonds. The Storm Bond Repayment Charge and Storm Bond Tax Charge together comprise the "Storm Charge." The existing 2004 Storm Restoration Surcharge would be terminated simultaneously with the effective date of the proposed tariff sheets.

Advantages of proposed storm recovery financing include recovery of the 2005 storm-recovery costs and immediate replenishment of the Reserve by approximately \$650 million during the 2006 hurricane season. Customers also would pay a lower per kWh charge over a longer period of time relative to the 2004 Storm Restoration Surcharge which would be discontinued.

In light of the size of the current deficit and the need to begin to reduce the deficit and rebuild the Reserve to prepare for another potentially active storm season, the Company requests that as part of the Financing Order the Commission approve a surcharge to be applied to bills rendered on and after August 15, 2006 to recover the 2005 storm-restoration costs over approximately three years (or until the applicable revenue requirements have been recovered) in the event the issuance of storm-recovery bonds is delayed for any reason. The monthly impact to residential customers of this surcharge is currently estimated to be \$2.98 for a typical (1,000 kWh) residential bill based on current estimates for 2005 storm restoration costs. This surcharge would only be implemented in the event of a delay in issuing the storm-recovery bonds and it would be discontinued upon issuance. The amount of storm-recovery bonds issued would be adjusted to reflect collections pursuant to this surcharge, thus commensurately reducing the resulting Storm Charge.

Conversely, if the Commission declines to issue the Financing Order in substantially the form of Exhibit B, and/or does not grant the associated approvals for FPL to implement storm recovery financing under Section 366.8260, FPL requests in the alternative that the Commission approve a surcharge effective for bills rendered on and after June 15, 2006 in the amount and for such period as described more fully below to recover its prudently incurred storm costs during 2005 and also to begin to replenish the Reserve to a reasonable level. This surcharge would be

in addition to the 2004 Storm Restoration Surcharge which would remain in effect. In connection with the recovery of such costs through a surcharge, FPL likewise requests approval of its prudently incurred storm-recovery costs related to the 2005 storm season. If the Commission approves FPL's alternative request, FPL would submit tariff sheets for administrative approval.

FPL requests that the Commission consider and approve the relief requested in this petition consistent with the 135-day timeline set forth in Section 366.8260(2)(b)1.b. in order that storm-recovery bonds may be issued, and that the purposes of this Petition be achieved. This would allow the establishment of a Reserve of approximately \$650 million, in preparation for the 2006 storm season or, alternatively, timely implementation of a surcharge to recover prudently incurred storm-recovery costs in connection with the 2005 storm season and to begin to replenish the Reserve.

FPL's requests in this petition do not address future storm damage in excess of the Reserve level, irrespective of the method approved by the Commission in this proceeding. FPL would petition the Commission at a later time for recovery of such excess amounts, consistent with past Commission policy and decisions, in the event that expenditures exceed the Reserve balance.

In support of this Petition, FPL states as follows:

Jurisdiction and Regulatory Background

1. FPL is a public utility subject to the jurisdiction of the Commission under Chapter 366, Florida Statutes (2005). FPL's General Offices are located at 9250 West Flagler Street, Miami, FL 33174.

2. Any pleading, motion, notice, order or other document required to be served upon

the petitioner or filed by any party to this proceeding should be served upon the following individuals:

William G. Walker, III
Vice President
Florida Power & Light Company
215 South Monroe Street
Suite 810
Tallahassee, FL 32301-1859
(850) 521-3900
(850) 521-3939 (telecopier)
Bill_Walker@fpl.com

R. Wade Litchfield
Associate General Counsel
Florida Power & Light Company
700 Universe Boulevard
Juno Beach, Florida 33408-0420
(561) 691-7101
(561) 691-7135 (telecopier)
Wade_Litchfield@fpl.com

3. FPL is not aware of any disputed issue of material fact. This Petition is not filed in response to any agency decision.

4. FPL serves approximately 4.3 million retail customers in its service area in Florida. Its service area comprises approximately 27,000 square miles in 35 of the state's 67 counties, encompassing the cities of Daytona Beach, Ft. Lauderdale, Ft. Myers, Miami, Naples and West Palm Beach and other densely populated areas on the East and West coasts of Florida. Further, FPL serves a number of less densely populated areas, including all or portions of Martin, St. Lucie, Indian River, Brevard, Charlotte, Desoto, Columbia, Highlands, Okeechobee, Seminole and Union Counties.

5. FPL has established a Reserve pursuant to prior Commission orders and consistent with Rule 25-6.0143, Florida Administrative Code. The Commission has previously agreed that the establishment of the Reserve provides an appropriate means of self-insurance, particularly where no reasonable commercial insurance market exists to cover the costs of repairing and restoring its transmission and distribution system in the event of a hurricane, storm damage or other natural disaster. See In Re: Petition for authority to recover prudently incurred storm recovery costs related to 2004 storm season that exceed storm reserve balance, by Florida

Power & Light Company, Docket No. 041291-EI, Order No. PSC-05-0937-FOF-EI (issued September 21, 2005)²; In Re: Petition to implement a self-insurance mechanism for storm damage to transmission and distribution system and to resume and increase annual contribution to storm and property insurance reserve fund by Florida Power & Light Company, Docket No. 930405-EI, Order Nos. PSC-93-0918-FOF-EI (issued: June 17, 1993)³ and PSC 95-0264-FOF-EI (issued: Feb. 27, 1995);⁴ In Re: Petition for authorization to increase the annual storm fund accrual commencing January 1, 1995 to \$20.3 million; to add approximately \$51.3 million of recoveries for damage due to Hurricane Andrew and the March 1993 Storm; and to re-establish the storm reserve for the costs of Hurricane Erin by increasing the storm reserve and charging to expense approximately \$5.3 million, by Florida Power & Light Company, Docket No. 951167-EI, Order No. PSC 95-1588-FOF-EI (issued: Dec. 27, 1995);⁵ In Re: Petition for authority to increase annual storm fund accrual commencing January 1, 1997, to \$35 million by Florida

² By Order No. PSC 05-0937-FOF-EI, the Commission approved (i) recovery of prudently incurred restoration costs related to the hurricanes that struck FPL's service territory in 2004 in excess of its storm reserve balance, subject to adjustments and terms set forth in that order; and (ii) initiation of a surcharge to recover such restoration costs as adjusted, among other matters set forth in that order.

³ By Order No. PSC 93-0918-FOF-EI, the Commission re-established the annual accrual to fund the Storm Reserve and required FPL to submit a study indicating the appropriate amount that should be contributed to the fund annually.

⁴ By Order No. PSC 95-0264-FOF-EI, based on the study filed by FPL and an assumption that commercial insurance also would be available to cover a portion of storm-related costs, the Commission authorized an increase in FPL's annual accrual to \$10.1 million.

⁵ By Order No. PSC 95-1588-FOF-EI, based in part on the recognition that commercial insurance for transmission and distribution losses had not become a viable option, the Commission approved increasing the annual accrual to \$20.3 million.

Power & Light Company, Docket No. 971237-EI, Order No. 98-0953-FOF-EI (issued: July 14, 1998).⁶

6. Pursuant to these and other Commission orders, FPL has been operating under a self-insurance plan for storm-related costs in which the accrual and Reserve were intended to cover costs due to most, but not all, storm events. In the event that the Reserve proved to be inadequate due to an extraordinary event or storm season, it was expressly contemplated that FPL would have the ability to seek recovery of reasonable and prudently incurred storm-recovery costs in excess of the Reserve. Funds allocated to the Reserve are accumulated by FPL in Account No. 228.1, Accumulated Provision for Property Insurance, which is intended to provide cash reserves necessary to cover the costs of damage, net of insurance proceeds.

7. In its application for a base rate increase in Docket No. 050045-EI, FPL had proposed to increase the annual Reserve accrual in base rates to \$120 million. The total accrual was comprised of an amount approximating the expected annual storm losses, plus an amount to contribute toward restoring the Reserve balance to a level of \$500 million. The base rate proceeding was resolved pursuant to the Settlement Agreement negotiated and signed by parties to the proceeding and approved by the Commission which, among other matters, addressed the issues of storm cost recovery and the replenishment of the Reserve. Order No. PSC-05-0902-S-EI, Docket Nos. 050045-EI, 05-0188-EI (Issued September 14, 2004), at p. 5.

8. With respect to storm costs, the Settlement Agreement (a) suspends the then-current base rate accrual of \$20.3 million effective as of January 1, 2006; (b) provides that FPL

⁶ By Order No. PSC 98-0953-FOF-EI, the Commission rejected FPL's request to increase its storm fund accrual to \$35 million, finding that the balance in the Reserve was sufficient to protect against most emergencies, but indicating that FPL would continue to be able to petition the Commission for emergency relief as reflected in Order No. PSC 95-1588-FOF-EI.

will be entitled to recover prudently incurred storm-recovery costs and replenish the Reserve balance to a level to be approved by the Commission; and (c) allows recovery of prudently incurred storm-recovery costs and replenishment of the Reserve through charges to customers incremental to base rates, through a storm-recovery charge established through Section 366.8260, and/or another form of surcharge. Id.

9. While approving the storm cost provisions as part of the overall settlement, Commissioners expressed concern over the continuing deficit in the Reserve and at the prospect of concluding the rate proceeding without a current plan to replenish the Reserve to a reasonable level. The Commission requested, and FPL committed, to address those concerns within six months of the August 24, 2005 approval of the Settlement Agreement. Id. This Petition seeks to address these concerns, after two exceptionally strong and destructive storm seasons in 2004 and 2005, with the objective of proposing a sound approach to recovering such costs and restoring the Reserve balance to a reasonable level to meet the needs of the 2006 storm season.

10. Traditional methods for recovering storm costs and establishing a Reserve, discussed above, include an accrual in base rates that is contributed to the Reserve and implementation of a special assessment or surcharge to recover storm costs in excess of amounts in the Reserve. Most recently, in Order No. PSC 05-0937-FOF-EI, issued September 21, 2005, in Docket No. 041291-EI, the Commission approved the initiation of a surcharge to recover the prudently incurred restoration costs in excess of the Reserve balance related to the 2004 storm season.

11. At the date of this Petition, FPL has a large unrecovered balance associated with the 2004 storm-recovery costs approved by the Commission in the above-referenced order. This is because the surcharge approved by the Commission to recover the costs associated with the

2004 storms has not been in place long enough to recover all of the costs approved by the Commission in that proceeding. FPL estimates the unrecovered balance of 2004 costs will be \$212 million (jurisdictional) as of July 31, 2006.

12. With respect to 2005 storm-recovery costs, FPL has incurred substantial costs to restore service to customers due to Hurricanes Dennis, Katrina, Rita and Wilma. Because FPL's Reserve had a very large negative balance as a result of the 2004 storms, FPL advanced its funds to pay for 2005 storm-recovery costs, subject to reimbursement by customers. Under the traditional approach to storm cost recovery, in circumstances such as the present where the Reserve balance is negative and there are substantial storm costs to recover, FPL would petition the Commission to recover the prudently incurred 2005 storm-recovery costs through the establishment of a special assessment or surcharge sufficient to recover from customers the 2005 storm-recovery costs, as well as to begin to replenish the Reserve to a reasonable level to meet future storm restoration needs.

13. Section 366.8260 provides an alternative method for recovering storm restoration costs, as well as replenishing the Reserve. Rather than including an accrual in base rates (which is discontinued as of January 1, 2006 pursuant to the Settlement Agreement), or petitioning for an additional surcharge for 2005 storm-recovery costs and Reserve replenishment, accompanying the existing surcharge for 2004 storm-recovery costs, FPL's primary request in this proceeding is that the Commission issue a Financing Order in substantially the form provided, authorizing the issuance of bonds sufficient to pay for all of the unrecovered 2004 and 2005 storm-recovery costs, to replenish the Reserve, and to pay upfront bond issuance costs.

14. If approved by the Commission in this proceeding, the storm-recovery bonds authorized by the Financing Order would be structured in the manner provided for in Section

366.8260, thus enabling the bonds to achieve a higher credit rating and lower cost than FPL's other long-term financing options, and significantly mitigating rate impacts, compared to the more traditional method of recovery through a surcharge. Thus, issuing storm-recovery bonds as proposed, pursuant to Section 366.8260, would permit payment for all of the unrecovered 2004 and 2005 storm-recovery costs, as well as the costs of replenishing the Reserve to a reasonable level through a low, relatively constant charge to customers over an approximate twelve-year period, rather than through the continuation of the existing 2004 Storm Restoration Surcharge, and implementation of a new surcharge to recover the 2005 storm restoration costs and to begin to replenish the Reserve.

15. However, if the Commission determines that FPL should not issue bonds to recover the deficit in the Reserve and replenish the Reserve, the Company requests that the Commission approve an alternative and more traditional method of recovering storm-recovery costs and replenishing the Reserve through a storm surcharge. Specifically, FPL's alternative request would consist of a surcharge to recover FPL's 2005 storm-recovery costs over a period of approximately three years and a storm surcharge sufficient to collect \$650 million over a three-year period to apply toward replenishment of the Reserve. FPL would ask that the proposed surcharge alternative be implemented for bills rendered on and after June 15, 2006. This new monthly charge would be \$5.19 for a typical (1,000 kWh) residential bill. In combination with the 2004 Storm Restoration Surcharge, which would remain in effect, this would produce a total monthly storm-related charge of \$6.84 on customer bills.

16. In light of the size of the current deficit and the need to begin to reduce the deficit and rebuild the Reserve to prepare for another potentially active storm season, the Company recommends that in the Financing Order, the Commission approve a surcharge to be applied to

bills rendered on and after August 15, 2006 to recover the 2005 storm-restoration costs over approximately three years (or until the applicable revenue requirements have been recovered) in the event the issuance of storm-recovery bonds is delayed for any reason. The monthly impact to residential customers of this surcharge is currently estimated to be \$2.98 for a typical (1,000 kWh) residential bill based on current estimates for 2005 storm restoration costs. The surcharge would be discontinued when the storm-recovery bonds are issued. The amount of storm-recovery bonds issued would be adjusted for the impact of collections of this surcharge.

17. If the Commission declines to issue the Financing Order in substantially the form of Exhibit B, and/or does not grant the associated approvals for FPL to implement storm recovery financing under Section 366.8260, FPL requests in the alternative that the Commission approve a surcharge effective for bills rendered on and after June 15, 2006 in the amount and for such period as described more fully below to recover its prudently incurred storm costs during 2005 and also to begin to replenish the Reserve to a reasonable level. This surcharge would be in addition to the 2004 Storm Restoration Surcharge which would remain in effect. In connection with the recovery of such costs through a surcharge, FPL likewise requests approval of its prudently incurred storm-recovery costs related to the 2005 storm season. If the Commission approves FPL's alternative request, FPL would submit tariff sheets for administrative approval prior to the effective date of the surcharge.

18. The balance of this petition provides the (i) information required to be provided in support of FPL's request for a financing order pursuant to Section 366.8260; (ii) information relating to FPL's alternative request for the implementation of surcharges; as well as (iii) information concerning FPL's prudently incurred storm-recovery costs for the 2005 season, for which FPL seeks approval in this proceeding as provided for in Section 366.8260(2)(b)1.

Request for Storm Recovery Financing Order

19. FPL seeks a Financing Order, substantially in the form of Exhibit B, pursuant to the provisions of Section 366.8260, in order to establish nonbypassable storm charges expressed in cents per kWh which will, from and after the effective date of the associated tariff, constitute Storm Bond Repayment Charges and Storm Bond Tax Charges that will be applied and billed to all customers and other persons or entities obligated to pay FPL (or any successor thereto) pursuant to Section 366.8260, any “Applicable Rates” as defined in the proposed tariffs. The right to impose, collect and adjust such charges, together with the revenue derived therefrom, is defined under Section 366.8260 as “storm-recovery property.” The Storm Bond Repayment Charges and Storm Bond Tax Charges will be added to the Applicable Rates charged on each customer’s or other person’s or entity’s bill. The right to impose, bill, collect and receive the Storm Bond Repayment Charges, and to obtain periodic adjustments to the Storm Bond Repayment Charges, and all revenues, collections, claims, rights to payments, payment, money, or proceeds arising from such rights and interests (sometimes referred to as “bondable storm-recovery property”) will be sold to a special purpose entity (the “SPE”), a limited liability company whose sole member will be FPL. Upon the sale of the bondable storm-recovery property, all storm-recovery property authorized under the Financing Order will arise and constitute an existing, present property right or interest. The SPE will acquire the bondable storm-recovery property from FPL with the proceeds of storm-recovery bonds, the repayment of which will be secured by a pledge and security interest in the storm-recovery property, the cash used to capitalize the SPE, and any other collateral provided under the indenture securing the storm-recovery bonds, as further described in this Petition and the supporting testimony. The

SPE will be a transferee, purchaser, acquirer, assignee or pledgee of bondable storm-recovery property as provided for in Section 366.8260(5)(a)5., Florida Statutes.

20. As described in more detail in FPL's supporting testimony, the storm-recovery bonds contemplated by the transactions described in this petition will be "asset-backed securities." A key feature of any such securities is that the asset or group of assets underlying the asset-backed securities be "bankruptcy remote" from the entity originating such asset or group of assets, which in this case is FPL. More specifically, an asset-backed security must be secured by, and payable solely from, a cash flow stream associated with an identifiable asset, the collections from which are sufficient to pay debt service and related costs, and the ownership of that asset must be vested in a limited purpose entity, such as a special-purpose corporation, trust or limited liability company, which is insulated from the credit risks, including the possible bankruptcy, of the originating entity. As a result, the securities issued by such entity shall be secured by, and payable solely out of, the related cash flow stream. This structure means the storm-recovery bonds should have less credit risk than debt securities issued by the originating entity, and investors should therefore be willing to accept a lower rate of return for the asset-backed security than for such other debt securities. If such criteria are satisfied in the proposed transaction, the storm-recovery property secured storm-recovery bonds should receive a triple-A (or equivalent) credit ratings from applicable rating agencies.

21. In order to accomplish the financing, subject to the Commission's approval, FPL will need to enter into several agreements with the SPE, forms of which are attached to the testimony of Mr. Olson and set out in substantial detail the terms and conditions of each agreement. The LLC Agreement for the SPE is the key organizational and governing document for the SPE. The Administration Agreement provides for the administrative functions that FPL

would provide to the SPE. The Storm Recovery Property Sale Agreement provides for the terms and conditions of the sale of the storm-recovery property to the SPE that will issue bonds. The Storm Recovery Servicing Agreement details the services that FPL will provide to the SPE principally with respect to billing and collection of the Storm Bond Repayment Charge. In connection with the proposed financing, FPL asks that the Commission approve FPL's entering into and performing each of these agreements in substantially the form submitted with Mr. Olson's testimony. FPL has also submitted with its supporting testimony a copy of the proposed bond indenture in substantially the form that is contemplated for use in connection with issuance of bonds.

22. The bonds can be sold either through a competitive bidding process or a negotiated sale. The Company is indifferent at this time as to which method is used. The decision as to which method may be preferable is dependent on factors such as issue size, complexity of issue, and current market conditions, some of which are not known with certainty at this time. The upfront bond issuance cost estimates provided by the Company include an estimate for underwriting fees. If the bonds are subsequently sold through a competitive bidding process, the underwriting fee would not be an itemized cost, but would be included in the price of the bonds.

2004 and 2005 Storm-Recovery Activities

23. Section 366.8260(2)(a)1 requires that an electric utility petitioning the Commission for a financing order shall describe the storm-recovery activities that the electric utility has undertaken or proposes to undertake and describe the reasons for undertaking the activities. Accordingly, the following describes storm-recovery activities, as defined in Section 366.8260(1)(k), conducted by FPL during 2004 and 2005. FPL has submitted with this Petition

the supporting testimony of Geisha Williams, its Vice President of Distribution, Mark Warner, its Vice President of Nuclear Operations Support, and K. Michael Davis, its Vice President, Controller and Chief Accounting Officer, with respect to 2005 storm-recovery activities. In addition, FPL also has included in support of its Petition the testimony of Richard E. Brown, Senior Principal Consultant for KEMA, Inc.

24. The 2004 storms and FPL's 2004 storm-recovery activities were described in detail in FPL's petition and testimony in Docket No. 041291-EI. The Commission approved recovery of FPL's prudently incurred storm-recovery costs in Order No. PSC-05-0937-FOF-EI in Docket No. 041291-EI. As discussed by Ms. Williams in her testimony, FPL's 2005 restoration processes, efforts, and actions were the product of years of planning and operational experience. The Company's plans, procedures and practices in responding to hurricanes in 2005 were essentially the same as those employed in 2004, but with improvements that were implemented based on FPL's experience in 2004.

25. Pursuant to Section 366.8260(2)(b)1.b., FPL requests that the Commission determine that its 2005 storm-recovery costs as noted herein and described more fully in the Company's supporting testimony are reasonable and prudent, such determination to be made "with reference to the general public interest in, and the scope of effort required to provide, the safe and expeditious restoration of electric service." Id.

26. It is important to note that FPL's emergency preparedness plans are initiated well in advance of any projected storm impact to its service territory. During the 2005 Storm Season, these plans were repeatedly executed. Before each storm season, FPL conducts extensive training, various system tests and a mock hurricane drill to practice its emergency preparedness plans. When a storm threatens FPL's service territory, FPL takes well-tested actions at specified

intervals prior to landfall. At 72 hours, the Company's state-of-the-art Command Center is activated, storm personnel are alerted, initial restoration plans are developed, resource requirements are forecasted, contingency resources are activated and mutual assistance utilities are identified. At 48 hours, commitments are confirmed for restoration personnel, materials and logistics support. Computer models are run based on the projected intensity and path of the storm to forecast expected damage, restoration workload and potential customer outages. Before the storm season, staging site locations are established. These locations are then identified and confirmed based on the storm's expected path. At 24 hours, the focus turns to getting personnel and supplies in position to begin restoration as soon as it is safe to do so. The Company also provides information to the news media and customers focused on the storm preparation about the possibility of extended outages and public safety. These efforts prefaced each of the storms that threatened FPL's service territory in 2005. The impacts of, and the corresponding storm-recovery activities related to, the four storms that affected FPL's territory are described below, and supplied by the testimony of Ms. Williams. FPL's efforts and its approach to restoration in 2005 were consistent with the overarching public policy favoring prompt and safe restoration of electric service, consistent with the unwavering expectations and cooperation of state and local government, and consistent with the regulatory framework instituted by this Commission following Hurricane Andrew.

27. During 2005, FPL and its customers were affected by 4 hurricanes – Dennis, Katrina, Rita and Wilma. As described in the testimony of Ms. Williams, all four of the hurricanes impacted the most densely populated areas in FPL's service territory, Palm Beach, Broward and Miami-Dade counties, where 60% of FPL's customers reside. Hurricane Katrina made landfall near the Miami-Dade and Broward county line. Hurricane Wilma made landfall

on the southwest coast of Florida and exited near Palm Beach, significantly impacting Palm Beach, Broward and Miami-Dade counties and causing more outages for FPL than any other previous storm. In addition to the damage to FPL's infrastructure, Hurricane Wilma caused significant damages to the communities that the Company serves. It has been reported that Hurricane Wilma could prove to be the worst storm to impact Miami since August 1992, when Hurricane Andrew caused more than \$25 billion in damage. The American Red Cross also has reported that over 27,000 dwellings were destroyed or rendered temporarily unlivable, an indication of the destruction caused by Hurricane Wilma. Hurricanes Dennis and Rita, while not making landfall in FPL's territory, traveled near enough for their outer bands to cause significant outages, particularly in Miami-Dade and Broward counties.

28. As discussed below and in more detail by Ms. Williams in her testimony, the scope of effort required by FPL to provide safe and rapid restoration during the 2005 storm season was enormous. Likewise, the costs associated with such efforts were substantial but necessary to meet the public interest in the safe and expeditious restoration of electric service.

HURRICANE DENNIS:

29. The first hurricane to impact FPL and its customers in 2005 was Hurricane Dennis. Hurricane Dennis entered the Gulf of Mexico, after exiting Cuba, and traveled along and off of the west coast of Florida. Hurricane Dennis, which at its peak reached Category 4 strength and eventually made landfall near Pensacola, began affecting FPL's service territory late in the evening on July 8, 2005. At that time, Hurricane Dennis was a Category 2 hurricane and had tropical storm winds that extended out 175 miles. Its outer bands covered essentially the entire state. Customers in FPL's southeast territory, especially Broward and Miami-Dade counties, were significantly affected by at least two unpredictable hurricane weather bands with

winds of almost 70 mph. By the time the effects of Hurricane Dennis left FPL's territory on July 9, 2005, approximately 509,000 customers required power restoration. By Sunday morning, the second day of restoration, 75% of those customers affected had their power restored. By Monday, the third day, all of the customers had been restored. The total workforce dedicated to the restoration effort totaled approximately 3,800, made up entirely of FPL employees and embedded contractors. External resources were limited because Hurricane Dennis was threatening the Gulf Coast as a Category 4 hurricane and all external resources were waiting to be diverted there. Total cost to restore service to FPL's customers and restore FPL's facilities to pre-storm conditions is estimated to be \$10.4 million.

HURRICANE KATRINA:

30. Hurricane Katrina, which originated as a tropical storm in the Bahamas, was only expected to produce increased rainfall over the FPL territory. However, less than 48 hours before it was to make landfall in South Florida, it developed into a hurricane. Hurricane Katrina made landfall near the Miami-Dade and Broward County line on August 25, 2005, as a Category 1 hurricane, the first hurricane to directly hit Broward County in over 40 years. It exited the southwest part of Florida on August 26. Hurricane Katrina had sustained hurricane force winds that extended over a 30 mile-wide corridor and tropical storm winds that extended over a 160 mile-wide corridor. Almost 1.5 million customers, in 15 counties within FPL's service territory, required power restoration. The hardest hit areas were Miami-Dade, Broward, and Palm Beach counties. This tri-county area also contains the greatest number of electrical facilities, many of which are located in areas with difficult access such as alley ways and behind homes, and includes areas with very dense vegetation. Tree damage was extensive, causing damage not only to FPL's overhead facilities but also to underground facilities, which were damaged as a result of

uprooted trees. Damage to facilities required replacing 245 miles of wire, approximately 1,507 distribution transformers, and 1,248 poles, some of which were not owned by FPL. There was also damage to 26 transmission line sections and 10 distribution substations. The workforce dedicated to the restoration effort totaled approximately 14,400, including almost 5,200 foreign utility and other contractor personnel. The total workforce was made up of approximately 5,500 linemen, 2,900 tree personnel, 1,400 patrol and field support people, and 4,600 FPL corporate and care center support personnel. In total, 12 different staging sites were established in Broward and Miami-Dade counties to help manage and execute the restoration effort. For the first time, system and county level Estimated Time of Restoration (“ETRs”) were provided within 24 hours of landfall. Sub-county ETRs were provided at 72 hours for locations within Broward County and Miami Dade County. In addition, as restoration progressed, outbound calls were made to contact customers individually to notify them when their power was to be restored within 48 hours. Power was restored to 77% of all customers affected by the third day, 95% by the fifth day and 100% of our customers were restored by the eighth day. Total cost to restore service to FPL’s customers and restore FPL’s facilities to pre-storm conditions is estimated to be \$162.1 million.

HURRICANE RITA:

31. Hurricane Rita, which eventually became a Category 5 hurricane, did not make landfall in FPL’s service territory. However, it did pass through the Florida Straits and affected the southern portion of FPL’s service territory. While impacting FPL’s service territory, Hurricane Rita was a Category 1 storm and had tropical storm and gale force winds that extended out 120 miles. Once again, customers in Miami-Dade and Broward counties were the most affected. The outer bands of Hurricane Rita began affecting the southeastern portion of FPL’s

territory during the afternoon of September 19, 2005. The most significant impacts, in Miami-Dade County, started around noon on September 20. By the time the storm's effects subsided late on September 20, over 140,000 FPL customers needed to have their power restored, with over 80% of these customers residing in the Broward and Miami-Dade areas. As the weather bands traveled through the South Florida area, FPL was able to restore service between these bands, resulting in no more than 40,000 customers being without service at any one time. The workforce dedicated to this storm totaled almost 4,900 and consisted of approximately 4,600 FPL employees and FPL embedded contractors and 300 foreign utility and contractor personnel. Total cost to restore service to customers and restore FPL's facilities to their pre-storm condition is estimated to be \$12.2 million.

HURRICANE WILMA:

32. Hurricane Wilma became a hurricane on October 18, 2005. On October 19, it strengthened to a Category 5 hurricane with its minimum central pressure estimated at 882 MB, the lowest pressure on record for a hurricane in the Atlantic basin.

33. Hurricane Wilma made landfall on the southwest coast of Florida, near Marco Island on October 24, 2005, as a Category 3 hurricane. It crossed the state and exited just to the north of Palm Beach, as a Category 2 hurricane. While in Florida, Hurricane Wilma had hurricane force winds that extended 125 miles from the center of the storm and winds greater than 40 mph extended 200 miles from the center. Hurricane Wilma impacted more customers than ever before in FPL's history. Over 75% or 3.2 million of our customers in 21 counties required power restoration. While Hurricane Wilma affected FPL's customers in Collier and Lee counties on the west coast and from Brevard County south on the east coast, Miami-Dade,

Broward and Palm Beach counties were again the most impacted. In this tri-county area, 99% of FPL's customers were without power once the storm passed.

34. While every storm is different, Hurricane Wilma was unique in one very significant aspect in contrast to prior storms. Hurricane Wilma affected FPL's entire infrastructure in ways never before experienced. Power plants, transmission lines and substations as well as distribution facilities all suffered damage. The resulting damage to FPL's facilities caused the Company to replace or repair 1,016 miles of wire, approximately 6,330 distribution transformers, and 12,419 poles, some of which were not owned by FPL. While damage was widespread, FPL found pockets of severe damage, where 5, 10, or in several instances more than 50 poles were down in an area or on a particular segment of the distribution system. Damage to poles was indiscriminate, whether the poles were wood or concrete, chromated copper arsenate or creosote, new or old. In addition, approximately 100 transmission structures, 2 transmission breakers and 4 substation regulators also required replacement. Over 19,000 restoration workers, including 9,200 foreign utility and other contractor personnel, from 36 states and Canada worked to restore power to customers affected by the storm. A restoration team of this size had never before been assembled in FPL's 80-year history. Assembling this team was especially difficult as the industry was still supporting Hurricane Katrina and Hurricane Rita restoration efforts in the Gulf States. FPL opened 20 staging sites, with a peak of 17 operational at one time. At one point, over 5,000 personnel were housed in nearby hotels which were without power and over 200 were housed in on-site tents in order to maximize productive hours. Additionally, to maximize productive hours, FPL leveraged the start of daylight savings time and began the workday at 5 a.m. instead of 6 a.m. This had the effect of maximizing daylight work hours and allowing travel to the work sites to occur before peak

traffic times. On a daily basis, FPL served almost 49,000 meals, used almost 82,000 pounds of ice, consumed nearly 30,000 gallons of water, and used over 189,000 gallons of fuel. In an effort to provide as much information as possible to the affected communities, estimated time to repair for the service territory was supplied within 12 hours after landfall, at an evening press conference the same day as the storm passed through the territory. County level ETRs were provided in 48 hours and more local level ETRs were provided at 72 hours. In addition, as more information became available, FPL continued to update the media and our customers with improved restoration times every two or three days. As had been initiated with Hurricane Katrina, outbound calls were made to customers to notify them when their power was to be restored in the next 48 hours. By the third day FPL had restored power to over one million customers; on the fifth day the Company had restored over two million customers; by the thirteenth day FPL had restored over three million customers; on the eighteenth day all customers were restored. Total cost to restore service to customers and to restore FPL's facilities to their pre-storm condition is estimated to be \$721.7 million.

35. FPL's planning and execution before, during and after the 2005 storms was focused upon safely restoring the greatest number of customers in the least amount of time to return the communities the Company serves to normalcy. For the four 2005 storms, approximately 5.3 million customers required power restoration. For Hurricanes Dennis and Rita, customers were 100% restored within three and two days, respectively. For Hurricane Katrina, 77% of the customers affected were restored in three days, 95% in five days and 100% in eight days. For Hurricane Wilma, FPL restored service to over two million customers, or 65% of all affected customers by the fifth day, and 100% were restored by the eighteenth day. The high percentages accomplished in the first few days in each storm result from FPL's consistently

applied restoration strategy – to restore devices that serve the largest number of customers first. FPL further refined its processes and effectively managed field operations, while acquiring an extraordinary number of workers and managing many staging sites. As a result, FPL restored service to its customers and repaired its facilities in an expeditious and prudent manner. FPL submits that its 2005 storm-recovery costs as identified herein and described more fully in the Company’s supporting testimony and documents are reasonable and prudent.

Known and Estimated 2004 and 2005 Storm-Recovery Costs

36. Section 366.8260(2)(a)2. requires that an electric utility petitioning the Commission for a financing order shall “set forth the known storm-recovery costs and estimate the costs of any storm-recovery activities that are not completed, or for which the costs are not yet known, as identified and requested by the electric utility.” Id. Accordingly, the following is a summary description of the known and estimated costs incurred and to be incurred by FPL as a result of storm-recovery activities during 2004 and 2005. The supporting testimony of Ms. Williams and Messrs. Davis and Warner address FPL’s known and estimated 2004 and 2005 storm-recovery costs.

37. FPL respectfully requests that the Commission enter an order allowing FPL to recover its known storm-recovery costs, and the estimate of costs of storm-recovery activities that are not complete, or for which the costs are not yet known, as defined and provided for in Section 366.8260(a)2., and as more particularly described in the testimony and supporting exhibits of Ms. Williams, Mr. Warner and Mr. Davis. The expected total storm-recovery costs are reflected and described on Exhibit A to this Petition. Monthly interest calculated at the Company’s current commercial paper rate through July 31, 2006 is also included on the estimated balances outstanding from time to time through that date. As noted above and shown

on Exhibit A, the amount of storm-recovery costs that will be financed will be reduced to recognize the income tax benefit received when the costs were deducted for income tax purposes.

38. With respect to unrecovered 2004 storm-recovery costs, in the Commission's Order No. PSC-05-0937-FOF-EI in Docket No. 041291-EI, the Commission approved collection of a \$442.0 million 2004 storm cost deficiency by FPL from its retail customers. FPL has been collecting a surcharge for these costs since February 2005. FPL estimates that \$212 million of this amount will remain to be collected as of July 31, 2006. This amount was estimated by adding monthly interest at the current commercial paper rate to the unrecovered balance (as required by the same Commission order) and subtracting out estimated billed revenues based on the average retail surcharge factor approved in Docket No. 041291-EI, and multiplied by forecasted kWh sales less revenue taxes. In addition to the costs to be recovered as a result of the above-referenced order, the Commission also approved an adjustment to the 2004 storm costs of \$21.7 million which was left as a negative balance in the Reserve. The net amount of that adjustment which remains after considering FPL's 2005 storm accrual of \$20.3 million and storm fund earnings of \$0.1 million from January through September 2005 is \$1.4 million. Thus, the sum of the remaining unrecovered 2004 storm costs as of July 31, 2006 of \$212 million plus the net jurisdictional Commission adjustment of \$1.3 million, totals \$213.3 (jurisdictional) million of unrecovered 2004 storm-recovery costs, for proposed inclusion in the storm recovery financing.

39. A breakdown by categories of costs of the estimated unrecovered 2005 storm-recovery costs which FPL seeks to recover with respect to Hurricanes Dennis, Katrina, Rita and Wilma in this proceeding are detailed in Document GJW-5 of Ms. Williams' testimony.

40. The Commission has retained the latitude to determine what storm costs are to be recovered on a case-by-case basis, and has not established a specific methodology with respect to storm cost recovery. Accordingly, as explained in the supporting testimony of Mr. Davis, FPL proposes that storm-recovery costs be determined using a new methodology that is well-rooted in sound past practices. FPL proposes determining costs based upon the Actual Restoration Cost Method addressed by the Commission in Docket No. 930405-EI with an adjustment to remove normal capital costs. This method, with the exception of the adjustment to capital costs, was utilized by FPL between 1993 and 2003 to determine the storm restoration costs to be charged against the Reserve. FPL's proposed method includes all costs incurred to safely restore electric service or return plant and equipment to its pre-storm condition. The adjustment to remove capital costs will be at the "normal cost" of capital additions, and recorded to rate base. What is left after adjusting for insurance recoveries represents the operations and maintenance expenses the company has incurred to restore service to its customers. This amount plus interest incurred as of the expected date of securitization, as allowed in Section 366.8260, Florida Statutes (2005), results in the amount proposed by FPL for storm recovery financing.

41. More recently the Commission approved using a somewhat different approach in Commission Order No. PSC-05-0937-FOF-EI. As discussed in the supporting testimony of Mr. Davis, FPL believes that applying either the method proposed by FPL or that more recently approved in the referenced Order would result in the same total unrecovered pre-tax 2005 storm-recovery costs of \$826.9 million, net of insurance proceeds and an adjustment for capital.

42. FPL believes that as a policy matter, the Commission, customers and FPL would all be better served by using FPL's proposed method for several reasons. As explained in the testimony of Mr. Davis, FPL's proposed method is the most accurate way to account for all of

FPL's storm restoration costs because it properly utilizes the normal cost accounting practices, processes and procedures that are relied upon by the Company in the ordinary course of its business. It also avoids the necessity of making estimates for year-end budget variances that are inconsistent with the stringent financial reporting requirements imposed on public companies by the Sarbanes-Oxley Act of 2002. FPL's method also has the advantage of replicating the cost recovery that FPL would receive under a hypothetical third party replacement cost insurance policy, were such coverage to be available in the insurance marketplace. This is consistent with the regulatory policy established by the Commission in its rules, such as Rule 25-6.0143, Accumulated Provision for Property Insurance, as well as discussed in prior Commission orders.

Proposed Level Of The Storm-Recovery Reserve

43. Section 366.8260(2)(a)3 requires that an electric utility petitioning the Commission for a financing order shall "set forth the level of the storm-recovery reserve that the utility proposes to establish or replenish and has determined would be appropriate to recover through storm-recovery bonds and is seeking to recover and such level that the utility is funding or seeking to fund through other means, together with a description of the factors and calculations used in determining the amounts and methods of recovery." *Id.* Accordingly, the following describes the proposed level of the Reserve and related information required by Section 366.8260(2)(a)3. FPL has submitted with this Petition the supporting testimony of Moray P. Dewhurst, its Senior Vice President, Finance, and Chief Financial Officer, and Dr. Rosemary Morley, its Rate Development Manager.

44. In connection with either its primary or alternative recommendation, FPL requests that the Commission find that approximately \$650 million is an appropriate and reasonable Reserve level. If a Financing Order is issued and storm-recovery bonds issued, the actual

balance of unrecovered storm-recovery costs will be influenced by several factors including but not limited to: actual versus forecast surcharge collections for the existing surcharge, actual versus projected commercial paper rates, market conditions, differences resulting from the actual versus estimated bond issuance date, as well as changes in estimated 2005 storm-recovery costs. The Company proposes that any differences between the estimated and actual balances for unrecovered 2004 and 2005 storm-recovery costs be reflected in the amount of replenishment of the Reserve. Thus, if the actual balance of unrecovered 2004 and 2005 storm-recovery costs is below the estimated July 31, 2006 balance, the resulting balance in the Reserve will be higher and vice versa. On the other hand, if FPL's alternative recommendation is accepted, the Reserve would reach \$650 million only after approximately three years, assuming no intervening storm losses during that period.

45. Consistent with past Commission policy, the Reserve level should be large enough to withstand the storm damage from most but not all storm seasons. Based on the Storm Loss Analysis conducted by and described in the supporting testimony of Mr. Harris of ABS Consulting, FPL can expect average annual storm losses of \$73.7 million based on storm frequency and severity distributions from the entire 103-year long-term historical record. Of course, if FPL is experiencing a more active period for hurricane formation, the ABS Consulting damage estimates could understate the actual risk of losses in the near term. Given the \$73.7 million expected annual loss, the Reserve Solvency Analysis of Funding Alternatives sponsored by Mr. Harris, determined that with a beginning balance of \$650 million, the chance that expected losses over five storm seasons will exceed the balance of the Reserve in any one of the seasons is approximately 17% (or greater than 1 in 6). Similarly, Document No. SPH-3 attached to Mr. Harris' testimony demonstrates that the funding level proposed by FPL would be adequate

to cover most but not all single SSI-4 storm T&D damage along the eastern coast of FPL's service territory over a five-year period. When more than one storm impacts FPL's service territory in a single season, the proposed funding level would provide proportionally less protection than for the single event damage shown in Document No. SPH-3. FPL submits that an approximately \$650 million Reserve level is reasonable to provide funding for most, but not the most extreme, storm seasons. Consistent with the Commission's past decisions, in the event that future losses exceed the balance of the Reserve, FPL would petition the Commission at that time for recovery of such excess amounts.

46. Although a Reserve of \$650 million is not necessarily what the Company would project as an adequate Reserve level going forward, weighing a number of factors including (i) an expected average annual cost for windstorm losses of approximately \$73.7 million as determined by FPL's outside expert Mr. Harris, (ii) the possibility that Florida is in the midst of a much more active hurricane period relative to average levels of activity over the much longer term, (iii) the potentially diminished availability of non-T&D property insurance, (iv) the impact of the recent severe and unprecedented storm seasons on customer bills in the near term, and (v) the opportunity to revisit this issue in future proceedings, FPL believes that establishing a Reserve level of approximately \$650 million is reasonable at this time.

Financing Of Storm-Recovery Costs

47. Section 366.8260(2)(a)4. requires an electric utility petitioning the Commission for a Financing Order to indicate the amount of the proposed storm recovery financing. FPL has submitted with this Petition the supporting testimony of Mr. Dewhurst. As described in Mr. Dewhurst's testimony, FPL proposes to finance the costs incurred for storm restoration with the

issuance of storm-recovery bonds which would be used to finance the after-tax equivalent of the following estimated amounts:

	<u>\$ Millions</u>
2004 Jurisdictionalized Unrecovered Storm-Recovery Costs	213.3
2005 Jurisdictionalized Unrecovered Storm-Recovery Costs	826.9
Replenishment of Reserve	<u>650.0</u>
Total Storm-related Costs Subject to Storm Recovery Financing	1,690.2
Less: Income Taxes at 38.575%	<u>(652.0)</u>
After-tax Storm-related Costs Subject to Storm Recovery Financing	<u>1,038.2</u> ⁷

48. As is the case with most debt issuances, the cost of the debt, i.e., the effective interest rate, will not be known until the storm-recovery bonds are priced. Because the mitigation of rate impacts through the proposed bond issuance is significant and based on our approval of an approximate twelve-year bond amortization schedule, only an extraordinary change in market conditions between the time the Financing Order is issued and the issuance date would overcome the benefits associated with FPL's proposal. If market rates rise to such an extent that the initial average retail cents per kWh Storm Charge associated with the storm-recovery bond issuance would exceed the average retail cents per kWh charge associated with the 2004 Storm Restoration Surcharge now in effect, the aggregate amount of the storm-recovery bond issuance would be reduced to an amount whereby the initial average retail cents per kWh Storm Charge would not exceed the average retail cents per kWh 2004 Storm Restoration Surcharge currently in effect.

⁷ The proposed amount of storm-recovery bonds to be issued of up to \$1,050 million also includes Upfront Bond Issuance Costs as reflected on Exhibit A.

Estimated Financing Costs Related To Storm Recovery Bonds

49. Section 366.8260(2)(a)5. requires an electric utility petitioning the Commission for a financing order to “estimate the financing costs related to the storm-recovery bonds.” Id. FPL has submitted with this Petition the supporting testimony of Messrs. Davis, and Dewhurst, and Wayne Olson, Managing Director in the Asset Backed Capital Markets group at Credit Suisse First Boston LLC, with respect to FPL’s estimated financing costs related to the storm-recovery bonds. “Financing costs” are defined in Section 366.8260(1)(e).

50. Certain financing costs will constitute costs of issuing the storm-recovery bonds and will be recovered from the proceeds of the storm-recovery bonds. These financing costs, which are referred to as “Upfront Bond Issuance Costs” include, without limitation, counsel fees, structural advisory fees, underwriting fees, rating agency fees, and filing, printing and marketing expenses. Mr. Dewhurst’s testimony provides a description of such Upfront Bond Issuance Costs, as well as a schedule of such estimated costs.⁸ Other financing costs will constitute costs necessary to support, repay and service the storm-recovery bonds. These financing costs include, most importantly, the costs of paying principal (which is defined by the Section 366.8260 as a storm-recovery cost) and interest on the storm-recovery bonds. Other than debt service, these ongoing financing costs (“Ongoing Costs”) include any cost of overcollateralization or other reserves for the storm-recovery bonds, and the periodic costs of servicing the storm-recovery bonds and the Storm Charge and of administering the SPE. Debt service, as well as these

⁸ The estimate of the Commission’s Financial Advisor Fee of \$1,000,000 included in the Upfront Bond Issuance Costs reflected in Mr. Dewhurst’s Document MPD-3 is not a proposed amount; rather, it is based on the average level of fees charged by Saber Partners, LLC as financial advisor in other transactions. The actual fees charged by Saber Partners, LLC and recovered through storm-recovery bond proceeds in connection with FPL’s proposed storm recovery financing are subject to Section 366.8260 and Commission determination.

Ongoing Costs, will be recovered through the imposition and collection and adjustment (or true up), from time to time, of the Storm Bond Repayment Charges. Upfront Bond Issuance Costs and Ongoing Costs are described in more detail in the supporting testimony of Messrs. Dewhurst and Olson. Finally, Financing Costs include the recovery of tax liabilities associated with the collection of the Storm Charge or otherwise incidental to the financing. These costs, which are referred to as Tax Costs, are described more fully by Mr. Olson in his testimony. FPL requests that these costs be recovered through the imposition and collection of a separate storm-recovery charge or Storm Bond Tax Charge, which will be retained by FPL and not sold to the SPE. Projections of estimated costs of Ongoing Costs and tax liabilities are reflected in exhibits to the supporting testimony of Messrs. Dewhurst and Davis.

Estimate of Storm-Recovery Charges

51. Section 366.8260(2)(a)6. requires an electric utility petitioning the Commission for a financing order to “estimate the storm-recovery charges necessary to recover the storm-recovery costs, storm-recovery reserve, and financing costs and the period for recovery of such costs.” *Id.* As discussed in the testimony of Dr. Morley, FPL has computed the Storm Bond Repayment Charges and Storm Bond Tax Charge, as described in Section 366.8260. In summary, Section 366.8260 provides for the recovery of the retail portion of storm costs through storm-recovery bonds. Accordingly, in order to compute the charges, FPL first separated storm-recovery costs between the retail and wholesale jurisdictions, and excluded the wholesale portion from further Storm Bond Repayment Charge computations, FPL then added to the Commission-jurisdictional portion of the unrecovered 2004 and 2005 storm-recovery costs, the \$650 million Reserve and the financing costs discussed above in this Petition.

52. FPL then allocated the total costs described above among the FPL customer rate classes in the manner in which these costs or their equivalent were allocated in the cost-of-service study filed by FPL in connection with FPL's last rate case, as provided for in Section 366.8260(2)(b)2.h. Based upon the jurisdictional separation, the customer rate class allocation, and the estimated twelve-year recovery period for Storm Bond Repayment Charges, FPL used a kWh sales forecast sponsored in the testimony of Dr. Leo Green with respect to this Petition to calculate the proposed Storm Bond Repayment Charge per kWh by rate class. The resulting Storm Bond Repayment Charges and Storm Bond Tax Charges were then set forth in proposed tariff revisions needed to implement the Storm Bond Repayment Charges and Storm Bond Tax Charges. These tariff sheets will closely approximate the final figures barring significant changes in the terms of an issuance of storm-recovery bonds and are submitted with this Petition as Document No. RM-11 attached to Dr. Morley's testimony.

53. The amortization of the bonds would be structured to provide a level charge of approximately \$1.58 for the typical residential bill (1,000 kWh) over the expected bond life of twelve years based on current market conditions. Upon issuance of the storm-recovery bonds, this charge would replace the existing 2004 Storm Restoration Surcharge.

54. FPL also has included in Document No. KMD-8, attached to Mr. Davis' testimony, a proposed formula-based mechanism for making expeditious periods adjustments in the storm-recovery charges that customers would be required to pay under the Financing Order, discussed in the testimony of Messrs. Davis and Olson, and Dr. Morley. Specifically, FPL would file with the Commission at least biannually a petition or a letter applying the formula-based mechanism and, based on estimates of consumption for each rate class and other mathematical factors, requesting administrative approval to make the necessary adjustments.

The review of such a request would be limited to determining whether there is any mathematical error in the application of the formula-based mechanism relating to the appropriate amount of any overcollection or undercollection of storm-recovery charges and the amount of an adjustment. These adjustments will ensure the recovery of revenues sufficient to provide for the payment of principal, interest, acquisition, defeasance, financing costs, or redemption premium and other fees, costs, and charges in respect of storm-recovery bonds approved under the proposed Financing Order.

Rate Mitigation Impacts

55. Section 366.8260(2)(a)7. requires that an electric utility petitioning the Commission for a financing order shall “estimate any cost savings or demonstrate how it would avoid or significantly mitigate rate impacts to customers resulting from financing storm-recovery costs with storm-recovery bonds as opposed to the traditional method of recovering such costs from customers and through alternative financing methods available to the electric utility.” *Id.* As addressed in greater detail in FPL’s Alternative Request below, an alternative and more traditional method of recovering storm costs and replenishing the Reserve would be a storm surcharge to recover the deficit balance in the Reserve and replenish the Reserve to an appropriate level over a reasonable period of time. As Dr. Morley’s testimony demonstrates, the proposed Storm Charge would significantly mitigate rate impacts to customers as compared with the alternative method of financing or recovering storm costs. First, the proposed Storm Charge would not result in any significant increase in the electric bills of the major customer classes. Indeed, most customers are likely to see a small decrease in their bills. Second, adopting FPL’s proposed Storm Charge would avoid a significant and immediate increase to customer bills that would otherwise result from the more traditional surcharge recovery method. In fact, initial rates

under the more traditional storm surcharge method on average would be more than four times the level of the proposed Storm Charge. Third, over the long run the proposed Storm Charge can be expected to result in less volatile charges than would be the case under the more traditional recovery method. Further, the proposed Storm Charge gives the customers the benefit of greater rate stability and of having significant Reserve funding immediately.

56. As described in the testimony of FPL witness Mr. Davis, after issuance of a Financing Order, FPL will file with the Commission not less frequently than twice per year a petition or a letter for the Commission's review, as described in Section 366.8260(2)(b)4. The petition or letter will apply a formula-based mechanism for making expeditious periodic adjustments in the Storm Bond Repayment Charges and Storm Bond Tax Charges that customers are required to pay under the Financing Order and for making any adjustments that are necessary to correct for any overcollection or undercollection of the charges or to otherwise ensure the timely payment of Storm-Recovery Bonds, other financing costs (including tax liabilities), other required amounts and charges payable in connection with the storm-recovery bonds, as described in Section 366.8260(2)(b)2.b. and required by Section 366.8260(2)(b)4. As provided in Section 366.8260(2)(b)4., the Commission's review of such a letter or petition shall be limited to determining whether there is any mathematical error in the application of the formula based mechanism. FPL requests that the Commission either approve or disapprove of any request within 30 days of receipt, as described in the testimony of FPL witness Mr. Davis. Also as described in the testimony of FPL witness Mr. Davis, FPL requests authority to seek a request for adjustment as frequently as quarterly, if required by the rating agencies to achieve the highest possible rating, or at any time if necessary to accommodate changes resulting from regulatory actions, such as a new base rate filing that would change the allocations of responsibility for the

charges. FPL further requests that it be entitled to apply for a revision to the formula used in calculating the Storm Bond Repayment Charge and Storm Bond Tax Charge to address systemic variations between expected and actual collections of charges, subject to rating agency confirmation that such changes will not adversely affect the credit ratings on the storm-recovery bonds.

57. Bond rating agencies have noted the Commission's past record of allowing recovery of storm-related costs, but have indicated that credit of Florida utilities could be negatively affected if a significant amount of costs are not recovered or if the timing of recovery is significantly delayed. See e.g., Standard & Poors Research Bulletin dated September 21, 2004, attached as Appendix C. In prior orders, the Commission has indicated that it would act expeditiously to address a utility's request for recovery of catastrophic losses in excess of its Reserve. See, e.g., In Re: Petition to implement a self-insurance mechanism for storm damage to transmission and distribution system and to resume and increase annual contribution to storm and property insurance reserve fund by Florida Power & Light Company, Docket No. 930405-EI, Order No. PSC-93-0918-FOF-EI (issued: June 17, 1993); In Re: Petition for authorization to increase the annual storm fund accrual commencing January 1, 1995 to \$20.3 million; to add approximately \$51.3 million of recoveries for damage due to Hurricane Andrew and the March 1993 Storm; and to re-establish the storm reserve for the costs of Hurricane Erin by increasing the storm reserve and charging to expense approximately \$5.3 million, by Florida Power & Light Company, Docket No. 951167-EI, Order No. PSC-95-1588-FOF-EI (issued: Dec. 27, 1995). Timely implementation of the proposed storm cost financing, consistent with the requirements of Section 366.8260, in addition to the other benefits described in this Petition, is also consistent

with maintaining low cost reasonable service to customers by reducing regulatory risk, and will provide appropriate signals to the investment community.

Alternative Request

58. Should the Commission determine that replenishment of the Reserve and recovery of storm-recovery costs through the issuance of bonds is not appropriate, FPL alternatively requests that a surcharge of \$2.98 per typical (1,000 kWh) residential bill be implemented as of June 15, 2006 to enable FPL to recover its estimated 2005 storm-recovery costs over a period of three years or such shorter period as would enable FPL to recover such costs. In addition, FPL requests that a separate and additional surcharge of \$2.21 per typical (1,000 kWh) residential bill be implemented as of June 15, 2006 to enable FPL to collect \$650 million over a three-year period toward replenishment of the Reserve. A surcharge to replenish the Reserve to a reasonable level is contemplated by the Settlement Agreement as an alternative to, or an additional means of, funding the Reserve other than through the issuance of storm-recovery bonds. See ¶ 10, Settlement Agreement. Should FPL experience a deficit in the Reserve during the period in which it is attempting to collect the surcharge to replenish the Reserve, it would petition the Commission for recovery of prudently incurred costs at that time.

59. While the surcharge alternative does not have the rate impact mitigation benefits addressed above in connection with FPL's primary request, it would still serve to provide an effective mechanism to recover prudently incurred restoration costs and rebuild the Reserve, thus affording FPL the financial flexibility needed to respond to storms on a timely basis in connection with the objective of safe and rapid restoration. Without any recovery mechanism and no Reserve whatsoever, FPL could face serious financial liquidity issues in attempting to respond to future storms and its customers would face greater risks of rate variability. In this

respect, approving the surcharges will address the concern of FPL and its customers having to face another potentially active storm season without any funding mechanism in place. Further, such an approach is consistent with past Commission practice and policy as set forth in the Commission orders cited above.

Requests For Relief

WHEREFORE, for the reasons set forth above, and as more fully set forth and described in the supporting testimony and documents included with its Petition, Florida Power & Light Company respectfully requests that the Commission:

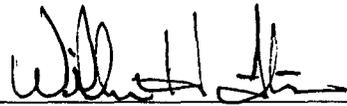
(1) approve the Company's primary recommendation in this Petition and, pursuant to Section 366.8260, Florida Statutes (2005), issue the Financing Order in substantially the form attached as Exhibit B to this Petition, making the findings of fact and conclusions of law, and granting the relief reflected therein;

(2) in the alternative and without prejudice to FPL's primary request, in the event the Commission declines to issue the Financing Order substantially in the form requested, find that the 2005 storm-recovery costs were prudently incurred by FPL, that it is reasonable and appropriate to undertake over a three-year period to establish a Reserve level of \$650 million in anticipation of future potentially active storm seasons, and, to these ends, that the Commission implement a surcharge in the aggregate amount of \$5.19 for a typical (1,000 kWh) residential bill, to be effective for bills rendered on and after June 15, 2006 for the purpose of (i) recovering prudently incurred storm-recovery costs in 2005 over approximately three years (or until the applicable revenue requirements have been recovered) and (ii) undertaking to replenish the Reserve to a level of \$650 million over the same period; and

(3) that the Commission grant such additional appropriate relief as the case and law may permit.

Respectfully submitted,

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Florida Power & Light Company
700 Universe Boulevard
Juno Beach, Florida 33408-0420

By: 
R. Wade Litchfield
Associate General Counsel

"EXHIBIT A"
FLORIDA POWER & LIGHT COMPANY AND SUBSIDIARIES
Summary of Storm Costs and Amount of Bonds Issued
(\$000's)

	2005 System Amount	2005 Jurisdictional Amount	Testimony Exhibit Reference
<u>Storm Costs Subject to Storm-Recovery Financing:</u>			
Total Estimated 2005 Storm-Recovery Costs	\$ 906,404		GJW-5 and KMD-4
Less Estimated Insurance Proceeds	<u>(26,533)</u>		KMD-4
Storm Costs (Net of Insurance Proceeds)	\$ 879,871		KMD-2
Less 2005 Estimated Capital Storm Costs	<u>(63,855)</u>		KMD-4
Net 2005 Storm-Recovery Costs	\$ 816,016	\$ 815,372	KMD-4
Interest Incurred Through Bond Issuance Date		<u>11,481</u>	KMD-4
Unrecovered 2005 Storm-Recovery Costs		\$ 826,853	KMD-4
Unrecovered 2004 Storm-Recovery Costs as of July 31, 2006		\$ 213,307	KMD-3
Replenishment of the Reserve		\$ 650,000	
Total Storm Costs Subject to Storm-Recovery		\$ 1,690,160	KMD-2
Estimated Up-front Bond Issuance Costs		<u>\$ 11,425</u>	MPD-3
Total Amount		\$ 1,701,585	
Less: Income Taxes		<u>\$ (651,979)</u>	KMD-2
Total Amount of Storm Recovery Bonds		\$ 1,049,606	
(this amount is rounded to \$1,050 million in testimony and the petition)			

“EXHIBIT B”

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Florida Power & Light Company’s
Petition for Issuance of a Storm Recovery
Financing Order.

DOCKET NO. _____
ORDER NO. _____
ISSUED: May __, 2006

The following Commissioners participated in the disposition of this matter:

LISA POLAK EDGAR, Chairman
J. TERRY DEASON
ISILIO ARRIAGA
MATTHEW M. CARTER, II
KATRINA J. TEW

APPEARANCES:

R. WADE LITCHFIELD, ESQUIRE, NATALIE SMITH, ESQUIRE, BRYAN
ANDERSON, ESQUIRE, and PATRICK BRYAN, ESQUIRE, 700 Universe
Blvd., Juno Beach, FL 33408-0420;
On behalf of Florida Power & Light Company (FPL or the Company)

WM. COCHRAN KEATING IV, ESQUIRE, and _____,
ESQUIRE, Florida Public Service Commission, 2540 Shumard Oak Boulevard,
Tallahassee, Florida 32399-0850
On behalf of the Florida Public Service Commission (Staff).

“EXHIBIT B”

FINANCING ORDER APPROVING STORM COST RECOVERY

BY THE COMMISSION

I. INTRODUCTION

On January 13, 2006, Florida Power & Light Company (“FPL” or “Company”) petitioned this Commission (the “Petition”) for a financing order (“Financing Order” or “Order”), pursuant to Section 366.8260, Florida Statutes (2005), authorizing the issuance of storm-recovery bonds in the amount of up to \$1,050 million, enabling: (i) recovery of the remaining unrecovered balance of its 2004 storm restoration costs currently being recovered through the 2004 Storm Restoration Surcharge; (ii) recovery of its unrecovered prudently incurred storm-recovery costs related to the four hurricanes that affected its service territory in 2005; (iii) replenishment of its depleted Reserve (Account No. 228.1) to a level of approximately \$650 million; and (iv) recovery of upfront storm-recovery bond financing costs (sometimes referred to as “upfront bond issuance costs”). If market rates rise to such an extent that the initial average retail cents per kilowatt-hour (“kWh”) storm-recovery charge (“Storm Charge”) associated with the storm-recovery bond issuance would exceed the average retail cents per kWh charge associated with the storm surcharge approved in Order No. PSC-05-0937-FOF-EI (the “2004 Storm Restoration Surcharge”) now in effect, the aggregate amount of the storm-recovery bond issuance would be reduced to an amount whereby the initial average retail cents per kWh Storm Charge requested herein would not exceed the average retail cents per kWh 2004 Storm Restoration Surcharge currently in effect.

On XXXX, 2006, we conducted a hearing on FPL’s Petition. XXX participated as Intervenors in the proceeding. Following the hearing, each party filed a post-hearing brief and/or statement of issues and positions.

By this Order, as discussed in greater detail below, we approve FPL’s Petition subject to the terms of this Order. The issuance of storm-recovery bonds in the amount of up to \$1,050 million is authorized provided the initial average retail cents per kWh for the Storm Charge would not exceed the average retail cents per kWh for the 2004 Storm Restoration Surcharge currently in effect. As addressed later in this Order, we determine that the total amount of FPL’s prudently incurred jurisdictional costs from the 2005 storm season is \$826.9 million (including the costs to finance the deficit in the Reserve until storm-recovery bonds are issued). The bond proceeds shall be used to finance the after-tax equivalent of the following estimated amounts:

	<u>\$ Millions</u>
2004 Jurisdictionalized Unrecovered Storm-Recovery Costs	213.3
2005 Jurisdictionalized Unrecovered Storm-Recovery Costs	826.9
Estimated Replenishment of Depleted Reserve	650.0
Total Storm-Related Costs Subject to	1,690.2

“EXHIBIT B”

Storm Recovery Financing	
Less: Income Taxes at 38.575%	(652.0)
After-tax Storm-Related Costs Subject to Storm Recovery Financing	1,038.2
Estimated Upfront Bond Issuance Costs	11.4
Rounding to nearest million	<u>.4</u>
Total Expected Storm-Recovery Bond Issuance	<u>1,050.0</u>

The actual balance of unrecovered storm-recovery costs will be influenced by several factors including but not limited to: actual versus forecast surcharge collections for the existing 2004 Storm Restoration Surcharge, actual versus projected commercial paper rates, change in market conditions, differences resulting from the actual versus estimated bond issuance date, as well as changes in estimated 2005 storm-recovery costs. Any differences between the estimated and actual balances for unrecovered 2004 and 2005 storm-recovery costs shall be reflected in the amount of replenishment of the Reserve. Thus, if the actual balance of unrecovered 2004 and 2005 storm-recovery costs is below the estimated July 31, 2006 balance, the resulting balance in the Reserve will be higher and vice versa. Consistent with our past decisions, in the event that future losses exceed the balance of the Reserve, FPL may petition the Commission at that time for recovery of any such excess amounts.

To repay the storm-recovery bonds and associated financing costs and tax liabilities, FPL is authorized to impose a Storm Charge to be applied on a per kWh basis to all applicable customer classes over a period of approximately twelve years. The Storm Charge consists of two separate and distinct charges, a Storm Bond Repayment Charge which is authorized to provide for repayment of the storm-recovery bonds (including principal and interest) and ongoing financing costs (sometimes referred to as “ongoing costs” as further described herein) and a Storm Bond Tax Charge, which is authorized to recover tax liabilities associated with the collection of the Storm Bond Repayment Charge to the extent such tax liabilities are not otherwise recovered from customers through other rates or charges. Prior to implementing the initial Storm Charge, FPL shall file tariff sheets for administrative approval, which tariff sheets will be administratively approved by Staff within 24 hours, subject to correction for any mathematical error. At Staff’s request, FPL shall furnish draft tariff sheets at least five business days in advance of the Series Launch Date (defined later in this Order). The existing 2004 Storm Restoration Surcharge shall be terminated simultaneously with the effective date of FPL’s tariff sheets imposing the Storm Charge, which shall be effective as of the day following delivery of the bonds “without further Commission action.” Section 366.8260(2)(b)2.i., Florida Statutes (2005).

“EXHIBIT B”

As described in the Petition and FPL’s supporting testimony, issuing this Order will enable FPL to use storm-recovery bonds to recover in a timely manner the storm-recovery costs that the Company incurred and advanced on behalf of its customers during the extraordinary back-to-back 2004 and 2005 storm seasons. As addressed below, we find that the financing to be implemented pursuant to Section 366.8260 would provide customers the benefit of significantly mitigating rate impacts associated with more traditional storm surcharge recovery. From the point of view of FPL’s customers, this Order can be expected to result in a lower estimated, levelized charge of \$1.58 for the typical residential bill (1,000 kWh) over an approximate twelve year expected bond life (based on current market conditions), in lieu of continuing the 2004 Storm Restoration Surcharge of \$1.65, plus surcharges of an additional \$5.19 to recover prudently incurred 2005 storm restoration costs and to begin to build up the Reserve over a reasonable period of time. Moreover, under the proposed storm cost recovery financing, customers are expected to have the benefit of a funded Reserve being immediately available during the peak of another potentially active 2006 storm season. The same cannot be said for the more traditional method of building the Reserve, which in the past has required extended periods of abnormally low storm activity to build the Reserve to a level comparable to what would be accomplished the date of the proposed financing.

If the issuance of storm-recovery bonds is delayed for any reason, we approve FPL’s request to initiate a surcharge for bills rendered on and after August 15, 2006 to recover the 2005 storm restoration costs over approximately three years (or until the applicable revenue requirements have been recovered). We find that this will better position FPL to respond to another potentially active storm season in the event of a delay in bond issuance. Any such surcharge shall be discontinued when storm-recovery bonds are issued, and the amount of storm-recovery bonds issued shall be adjusted for the impact of collections of this surcharge. Prior to implementing such a surcharge, FPL shall submit tariff sheets for administrative approval.

We have jurisdiction over this matter pursuant to Section 366.8260, Florida Statutes.

II. BACKGROUND

Storm restoration costs are a cost of providing electric service in Florida, but are not reflected in FPL’s base rate charge. Prior to the Stipulation and Settlement Agreement (“Settlement Agreement”) negotiated and signed by all parties to FPL’s retail base rate case and approved by this Commission in Order No. PSC-05-0902-S-EI, issued September 14, 2005 in Docket Nos. 050045-EI and 050188-EI, an annual accrual to the Reserve of \$20.3 million, a relatively small portion of what FPL’s Witness Steven P. Harris of ABS Consulting projects to be the expected annual cost of storm restoration, was reflected in the Company’s base rate. Windstorm insurance coverage, the costs of which customers paid as a part of FPL’s cost to provide electric service, was no longer practicably available following Hurricane Andrew in 1992. Pursuant to prior Commission Orders and consistent with Rule 25-6.0143, Florida Administrative Code, FPL has established a storm and property insurance reserve (the “Reserve”) that was intended to be sufficient to cover, among other things, storm restoration costs associated with most but not all storms. A long period of relatively mild hurricane seasons allowed the Reserve to grow to \$354 million prior to being depleted by the unprecedented 2004 storm season leaving the Company with a large deficit to recover. Pursuant to Order No. PSC-05-0937-FOF-EI, issued September 21, 2005, in Docket No. 041291-EI, FPL’s prudently

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incurred 2004 storm season costs in excess of the Reserve currently are being recovered through a monthly storm recovery surcharge equal to \$1.65 for the typical (1,000 kWh) residential bill.

In its 2005 base rate proceeding, FPL proposed to increase base rates by an amount sufficient to recover FPL witness Harris’ projection of the expected average annual cost of storm restoration plus an amount to attempt to replenish the Reserve in a reasonable period of time. Instead, the parties to the Settlement Agreement decided to hold base rates constant by treating all such costs outside of the Company’s base rates for recovery through a new financing vehicle approved by the Florida Legislature during its 2005 session, and/or through the more conventional approach of a special assessment or surcharge to replenish the Reserve and to recover the cost of restoring power in the wake of storms. In connection with approving the Settlement Agreement, this Commission expressed concern about being left without a more definite course of action to replenish the Reserve and strongly encouraged the Company to propose a plan at the earliest opportunity, and to return to the Commission with a plan within six months of its August 24, 2005 approval of the Settlement Agreement.

Of the four storms impacting FPL’s service territory last year, the two storms inflicting the vast majority of damage to FPL’s system in 2005 occurred subsequent to execution of the Settlement Agreement, leaving FPL and its customers with an even larger deficit in the Reserve. FPL filed the Petition dated January 13, 2006, and met its commitment to the Commission to pursue a plan to fund its Reserve within six months of the Commission’s approval of the Settlement Agreement. Order No. PSC-05-0902-S-EI, Docket Nos. 050045-EI, 050188-EI (issued September 14, 2005, Order at p. 5).

FPL requested that this Commission issue a financing order approving the issuance of storm-recovery bonds to reimburse FPL for storm costs incurred and advanced on behalf of customers during the destructive back-to-back 2004 and 2005 storm seasons. Specifically, FPL requested that storm-recovery bonds in the amount of up to \$1,050 million be authorized to pay for: (i) unrecovered storm costs incurred as a result of the 2004 and 2005 storm seasons; (ii) replenishment of the Reserve to a provision level of approximately \$650 million pursuant to Rule 25-6.0143, Florida Administrative Code; and (iii) recovery of upfront bond issuance costs. If market rates rise to such an extent that the initial average retail cents per kWh Storm Charge associated with the storm-recovery bond issuance would exceed the average retail cents per kWh charge associated with the 2004 Storm Restoration Surcharge now in effect, the aggregate amount of the storm-recovery bond issuance would be reduced to an amount whereby the initial average retail cents per kWh Storm Charge would not exceed the average retail cents per kWh 2004 Storm Restoration Surcharge currently in effect.

III. STATUTORY STANDARD

The Florida Legislature enacted 2005 Senate Bill 1366, which has been codified in relevant part as Section 366.8260 of the Florida Statutes. This section allows electric utilities, with the approval of this Commission, to finance the cost of storm-recovery activities with the proceeds of storm-recovery bonds that are secured by charges paid by the electric utility’s customers.

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Storm-recovery bonds are defined as bonds or other evidences of indebtedness or ownership that are issued by an electric utility or an assignee pursuant to a financing order, the proceeds of which are used directly or indirectly to recover, finance, or refinance Commission-approved storm-recovery costs, financing costs and costs to replenish the Reserve to such level as this Commission may authorize in a financing order, and which are secured by or payable from storm-recovery property. Section 366.8260(1)(l), Florida Statutes. Electric customers must pay the principal, interest and related financing costs of the storm-recovery bonds through storm-recovery charges, which are nonbypassable charges that will be paid by all retail customers as part of the charge for electric service.

Section 366.8260(2)(b)1.b. provides that, on petition by an electric utility, the Commission shall issue a financing order authorizing the issuance of storm-recovery bonds to pay for prudently incurred storm-recovery costs, replenishment of the Reserve and payment of financing costs provided the following statutory conditions are met: (i) issuance of the storm-recovery bonds and the imposition of the storm-recovery charges are reasonably expected to result in lower overall costs or would avoid or significantly mitigate rate impacts to customers as compared with alternative, more traditional methods of financing or recovering storm-recovery costs and replenishing storm-recovery reserves; and (ii) the proposed structuring, expected pricing and financing costs of the bonds are reasonably expected to result in lower overall costs or would avoid or significantly mitigate rate impacts to customers as compared with alternative methods of financing or recovering storm-recovery costs. Further, “any determination of whether storm-recovery costs are reasonable and prudent shall be made with reference to the general public interest in, and the scope of effort required to provide, the safe and expeditious restoration of electric service.” Section 366.8260(2)(b)1.b., Florida Statutes (2005).

IV. TRANSACTION STRUCTURE AND DOCUMENTS

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

a. The use of a special purpose entity (“SPE”) as issuer of storm-recovery bonds, limiting the risks to bondholders of any adverse impact resulting from a bankruptcy proceeding of FPL or any affiliate.

b. The right to impose and collect storm-recovery charges that are nonbypassable and which must be trued-up at least biannually, but may be trued-up more frequently under specified circumstances, in order to ensure the timely payment of the debt service and other on-going financing costs.

c. FPL’s sale to the SPE of the bondable storm-recovery property (not including the right to recover tax-related financing costs described in Section 366.8260(1)(e) (4), (5) and (6), Florida Statutes, which tax-related storm-recovery property shall be retained by FPL).

“EXHIBIT B”

d. Additional collateral in the form of a collection account which includes a Capital Subaccount of 0.5 percent of the initial principal amount of the storm-recovery bonds, resulting in greater certainty of payment of interest and principal to investors, allowing the desired federal income tax treatment for the storm-recovery-bond transaction and complying with the requirements of the rating agencies.

e. A servicer (initially FPL) responsible for billing and collecting the storm-recovery charges from existing or future retail customers.

f. The use of credit enhancements or hedging instruments, including interest rate swaps, either in connection with the issuance of floating rate bonds or otherwise, if the use of such instruments is reasonably expected to result in lower overall costs to customers.

g. The Federal and state income tax consequences of the transaction meet the safe-harbor provisions as established in IRS Revenue Procedure 2005-62.

The transaction structure, described in this Order, is necessary to enable the storm-recovery bonds to obtain a triple-A bond credit rating, so as to further ensure that the proposed structuring, expected pricing, and financing costs of the storm-recovery bonds would avoid or significantly mitigate rate impacts to customers as compared with alternative methods of financing or recovering storm-recovery costs.

FPL has submitted in connection with its Petition a form of each of the Storm-Recovery Property Sale Agreement, the Administration Agreement, and the Storm-Recovery Property Servicing Agreement, which set out in substantial detail certain terms and conditions relating to the transaction structure, including the proposed sale of the bondable storm-recovery property to the SPE, the administration of the SPE, and the servicing of the Storm Bond Repayment Charges and the storm-recovery bonds. FPL requested that the Commission approve the substance of the form of each of the agreements between FPL and the SPE in connection with issuance of this Order, which agreements would be executed substantially in the form submitted to the Commission, subject to such changes as are authorized pursuant to the Staff Pre-Issuance Review process approved in this Order. FPL has also submitted a form of the Indenture between the SPE and the indenture trustee, which sets forth the security and terms for the bonds. FPL requested that the Commission approve the substance of the Indenture, which would be executed substantially in the form submitted to the Commission, subject to such changes as are authorized pursuant to the Staff Pre-Issuance Review process approved in this Order. FPL has also submitted a form of the Limited Liability Company (“LLC”) Agreement with FPL as the sole member, which constitutes the organizing document of the SPE. FPL requested that the Commission approve the substance of the LLC Agreement, which would be executed substantially in the form submitted to the Commission, subject to such changes as FPL deems necessary or advisable to satisfy bankruptcy and rating agency considerations.

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The SPE

FPL proposes to create the SPE as a Delaware limited liability company with FPL as its sole member, as set forth in the LLC Agreement. The SPE will be formed for the limited purpose of acquiring bondable storm-recovery property (not including the right to receive tax-related charges, which will be retained by FPL), issuing storm-recovery bonds in one or more series (each of which may be issued in one or more classes or tranches), and performing other activities relating thereto or otherwise authorized by this Order. The SPE may issue storm-recovery bonds approved in this Order, or in future financing orders, so long as such future issuance does not adversely affect the ratings on the SPE’s outstanding storm-recovery bonds.

The SPE may issue storm-recovery bonds in an aggregate amount not to exceed the principal amount approved by this Order or any future financing order and will pledge to an indenture trustee or trustees, as collateral for payment of the storm-recovery bonds, the bondable storm-recovery property, including the SPE’s right to receive the bondable storm-recovery charges as and when collected, and other collateral described in the indenture. The SPE will not be permitted to engage in any other activities and will have no assets other than bondable storm-recovery property and related assets to support its obligations under the storm-recovery bonds. Obligations relating to the storm-recovery bonds will be the SPE’s only significant liabilities. These restrictions on the activities of the SPE and restrictions on the ability of FPL to take action on the SPE’s behalf are imposed to ensure that the SPE will be bankruptcy-remote and not be affected by a bankruptcy of FPL or any of its affiliates.

The SPE will be managed by a board of managers with power similar to those of boards of directors of corporations. As long as the storm-recovery bonds remain outstanding, the SPE will have at least one independent manager, that is, with no organizational affiliation with FPL or its affiliates. The SPE will not be permitted to amend the provisions of the organizational documents that ensure bankruptcy-remoteness of the SPE without the consent of the independent manager. Similarly, the SPE will not be permitted to institute bankruptcy or insolvency proceedings or to consent to the institution of bankruptcy or insolvency proceedings against it, or to dissolve, liquidate, consolidate, convert or merge without the consent of the independent manager. Other restrictions to ensure bankruptcy-remoteness may also be included in the organizational documents of the SPE as indicated by the rating agencies.

The SPE will have no staff and administrative services (such as routine corporate maintenance, reporting and accounting functions). These services will be provided by FPL pursuant to the terms of the Administration Agreement.

The Servicer and the Servicing Agreement

FPL will execute a servicing agreement with the SPE; this agreement may be amended, renewed or replaced by another servicing agreement in accordance with its terms. FPL will be the initial servicer but may be succeeded as servicer as detailed in the servicing agreement. Pursuant to the servicing agreement, the servicer is required, among other things, to impose and collect the bondable storm-recovery charges for the benefit and account of the SPE, to make the periodic true-up adjustments of storm-recovery charges required or allowed by this Order, and to account for and remit the bondable storm-recovery charges to or for the account of the SPE in

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accordance with the remittance procedures contained in the servicing agreement without any charge, deduction or surcharge of any kind, other than the servicing fee specified in the servicing agreement. Under the servicing agreement, if any servicer fails to fully perform its servicing obligations, the indenture trustee or its designee may, and upon the instruction of the requisite percentage of holders of the outstanding bonds, shall appoint an alternate party to replace the defaulting servicer. The obligations of the servicer under the servicing agreement, the circumstances under which an alternate servicer may be appointed, and the conditions precedent for any amendment of such agreement will be more fully specified in this Order and in the servicing agreement. The rights of the SPE under the servicing agreement will be included in the collateral pledged to the indenture trustee under the indenture for the benefit of holders of the storm-recovery bonds.

Trust Accounts

The SPE will establish a collection account as a trust account to be held by each indenture trustee as collateral to ensure the timely payment of the principal, interest, and other costs related to the storm-recovery bonds. The collection account will include the General Subaccount, the Capital Subaccount and the Reserve Subaccount, and may include other subaccounts if required to obtain triple-A ratings on the bonds.

The Storm Bond Repayment Charge remittances from the servicer with respect to any series of bonds will be deposited into the General Subaccount. On a periodic basis, the money in this subaccount will be allocated to pay expenses of the SPE, to pay principal and interest on the storm-recovery bonds, and to meet the funding requirements of the other subaccounts. The money in the General Subaccount will be invested by the indenture trustee in short-term high-quality investments, and such money (including investment earnings) will be available to pay principal and interest on the storm-recovery bonds and all other components of the ongoing costs payable by the SPE.

When storm-recovery bonds are issued, FPL will make a capital contribution to the SPE, which the SPE will deposit into the Capital Subaccount. The storm-recovery bond proceeds cannot be used to fund this capital contribution. The amount of the capital contribution will be 0.5 percent of the original principal amount of storm-recovery bonds, as required to obtain favorable tax treatment. The Capital Subaccount will serve as collateral to ensure timely payment of principal and interest on the storm-recovery bonds. To the extent that the Capital Subaccount must be drawn upon to pay these amounts due to a shortfall in the storm-recovery charge remittances, it will be replenished to its original level through the true-up process described below. The money in this subaccount will be invested in short-term high-quality investments, and such money (including investment earnings) will be available to pay principal and interest on the storm-recovery bonds and all other components of the ongoing costs payable by the SPE. Upon maturity of the storm-recovery bonds and the discharge of all obligations that may be paid by use of storm-recovery charges, all money in the Capital Subaccount, including any investment earnings, will be released to the SPE for payment to FPL. Investment earnings in this subaccount may be released earlier in accordance with the indenture.

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The Reserve Subaccount will hold any storm-recovery charge remittances and investment earnings on the Collection Account in excess of the amounts needed to pay current principal and interest on the storm-recovery bonds and to pay all of the other components of the ongoing costs payable by the SPE including, but not limited to, funding or replenishing the Capital Subaccount. Any balance in the Reserve Subaccount on a true-up adjustment date will be subtracted from amounts required for such period for purposes of the true-up adjustment. The money in this subaccount will be invested in short-term high-quality investments, and such money (including investment earnings thereon) will be available to pay principal and interest on the storm-recovery bonds and all other components of the ongoing costs payable by the SPE.

The Collection Account and the subaccounts described above are intended to provide for full and timely payment of scheduled principal and interest on the storm-recovery bonds and all other authorized components of the ongoing costs payable by the SPE. If the amount of storm-recovery charges remitted to the General Subaccount is insufficient to make all scheduled payments of principal and interest on the storm-recovery bonds and to make payment on all of the other components of the ongoing costs payable by the SPE, the Reserve Subaccount and the Capital Subaccount will be drawn down, in that order, to make those payments. In addition to the foregoing, there may be such additional accounts and subaccounts as are necessary to segregate amounts received from various sources, or to be used for specified purposes. Upon the maturity of the storm-recovery bonds and the discharge of all obligations with respect to such bonds, remaining amounts in the Collection Account will be released to the SPE and will be available for distribution by the SPE to FPL. Other than amounts that were in the Capital Subaccount or investment earnings on those amounts, remaining amounts will be remitted to FPL and added to the Reserve, or in the alternative, applied as a credit to customer bills.

FPL has set out in detail the provisions of any proposed bond indenture between the SPE and the indenture trustee, a draft of which was submitted by FPL in this proceeding. FPL requested that we approve the substance of the form of bond indenture, which indenture would be executed substantially in the form offered and admitted into evidence, subject to such changes as are authorized pursuant to the Staff Pre-Issuance Review process approved in this Order.

True-Ups of the Storm-Recovery Charges

Pursuant to Section 366.8260(2)(b)2.e. and (2)(b)4., Florida Statutes, the servicer of the storm-recovery property will make routine true-up adjustments to the storm-recovery charges at least biannually to ensure the recovery of revenues sufficient to provide for the timely payment of the principal and interest on the storm-recovery bonds and of all of the other components of the ongoing financing costs payable by the SPE in respect of storm-recovery bonds as approved under this Order. This required periodic payment of all such amounts, including deficiencies on past due amounts for any reason, is referred to as the “Periodic Payment Requirement.” This Order must include a formula-based mechanism for making expeditious periodic adjustments in the storm-recovery charges that customers are required to pay under this Order and for making any adjustments that are necessary to correct for any overcollection or undercollection of the charges or to otherwise ensure the timely payment of the Periodic Payment Requirement.

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FPL shall file with the Commission at least once every six months a petition or a letter applying the formula-based mechanism and, based on estimates of consumption for each rate class and other mathematical factors, requesting administrative approval to make the necessary adjustments. The review of such a request shall be limited to determining whether there is any mathematical error in the application of the formula-based mechanism relating to the appropriate amount of any overcollection or undercollection of storm-recovery charges and the amount of an adjustment. Such adjustments shall ensure the recovery of revenues sufficient to provide for the payment of principal, interest, acquisition, defeasance, financing costs, or redemption premium and other fees, costs, and charges in respect of storm-recovery bonds approved under the Order (i.e., the Periodic Payment Requirement). Within 30 days after receiving a request pursuant to this paragraph, and as soon within the 30-day period as it deems feasible, the Commission shall either approve the request or inform FPL of any mathematical errors in its calculation. If the Commission informs FPL of mathematical errors in its calculation, FPL shall correct its error and refile its request. The same 30-day timeframe shall apply to a refiled request.

If necessary to secure the targeted triple-A credit ratings, FPL may seek a routine true-up as frequently as quarterly, based upon the same time frames as provided in the paragraph above.

FPL may also seek a non-routine true-up at any time following a base rate change that includes any change in the rate allocation among customers used in determining the storm-recovery charges, such changes to go into effect simultaneously with any changes to FPL's other base rates.

FPL may also seek a non-routine true-up to amend the true-up methodology to address any systemic variances between estimated and actual collections of Storm Charges. Any such amendment would be subject to Commission approval and confirmation that such amendment would not adversely affect the ratings on the bonds.

FPL will file true-up adjustments in the manner described in the Servicing Agreement, received as Document No. WO-7 to the testimony of Wayne Olson, Managing Director of Credit Suisse First Boston LLC, in this proceeding. The form[s] and methodology for the true-ups shall be substantially as provided in Document No. KMD-8 to the testimony of K. Michael Davis, FPL's Vice President, Contoller and Chief Accounting Officer and described in the testimony of Dr. Rosemary Morley, FPL's Rate Development Manager.

Storm-Recovery Property

The storm-recovery property to be sold by FPL to the SPE consists of: (1) the rights and interests of FPL or successor or assignee of FPL under this Order, including the right to impose, bill, collect, and receive the Storm Bond Repayment Charge authorized in this Order and to obtain periodic adjustments to such charges as provided in this Order, and (2) all revenues, collections, claims, rights to payments, payments, money, or proceeds arising from the rights and interests specified in clause (1), regardless of whether such revenues, collections, claims, rights to payment, payments, money, or proceeds are imposed, billed, received, collected, or maintained together with or commingled with other revenues, collections, rights to payment, payments, money, or proceeds. The storm-recovery property to be sold does not include any rights in and to the Storm Bond Tax Charge, which will be retained by FPL.

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State Pledge

To encourage utilities to undertake securitization financing to fund storm-recovery activities, the State of Florida has pledged to and agrees with bondholders, the owners of the storm-recovery property, and other financing parties that the State will not impair the value of the storm-recovery property, as further described in Section 366.8260(11), Florida Statutes. The provisions of the State Pledge represent a contract of the State with the bondholders.

FINDINGS OF FACT

I. STORM-RECOVERY BONDS

1. The issuance of storm-recovery bonds in the amount of up to \$1,050 million is approved. This will reimburse FPL for storm costs incurred and advanced on behalf of customers during the destructive back-to-back 2004 and 2005 storm seasons. Specifically, this represents the after-tax amount that will enable: (i) recovery of the remaining unrecovered balance of FPL’s 2004 storm restoration costs currently being recovered through the 2004 Storm Restoration Surcharge; (ii) recovery of FPL’s unrecovered prudently incurred storm costs related to the four hurricanes that affected its service territory in 2005; and (iii) replenishment of its depleted Reserve to a level of approximately \$650 million. It also includes the amount needed to recover the estimated upfront bond issuance costs. Any difference between the estimated and actual balance of unrecovered 2004 and 2005 storm-recovery costs shall be reflected in the amount of replenishment of the Reserve. Also, if market rates rise to such an extent that the initial average retail cents per kWh Storm Charge associated with the storm-recovery bond issuance would exceed the average retail cents per kWh charge associated with the 2004 Storm Restoration Surcharge now in effect, the aggregate amount of the storm-recovery bond issuance would be reduced to an amount whereby the initial average retail cents per kWh Storm Charge would not exceed the average retail cents per kWh 2004 Storm Restoration Surcharge currently in effect, recognizing that any such adjustment may affect the resulting balance of the Reserve.

A. STORM-RECOVERY COSTS

2. Storm restoration costs are a cost of providing electric service in Florida, but are not reflected in FPL’s base rate charge. Prior to the Stipulation and Settlement Agreement (“Settlement Agreement”) negotiated and signed by all parties to FPL’s retail base rate case and approved by this Commission in Order No. PSC-05-0902-S-EI, issued September 14, 2005 in Docket Nos. 050045-EI and 050188-EI, an annual accrual to the Reserve of \$20.3 million, a relatively small portion of what FPL’s Witness Steven P. Harris of ABS Consulting projects to be the expected annual cost of storm restoration, was reflected in the Company’s base rate.

3. In its application for a base rate increase in Docket No. 050045-EI, FPL had proposed to increase the annual Reserve accrual in base rates to \$120 million. The total accrual was comprised of an amount approximating FPL’s expected annual storm losses of \$73.7 million based on an ABS Consulting analysis sponsored by FPL Witness Steven P. Harris, plus an amount to contribute toward restoring the Reserve balance to a level of \$500 million. The base rate proceeding was resolved pursuant to the Settlement Agreement negotiated and signed by all parties to the proceeding and approved by the Commission which, among other matters,

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addressed the issues of storm cost recovery and the replenishment of the Reserve. Order No. PSC-05-0902-S-EI, Docket Nos. 050045-EI, 05-0188-EI (Issued September 14, 2004, Order at p. 5).

4. With respect to storm restoration costs, the Settlement Agreement in Docket No. 050045-EI: (a) suspended the then-current base rate accrual of \$20.3 million effective as of January 1, 2006; (b) provided that FPL would be entitled to recover prudently incurred storm restoration costs and replenish the Reserve balance to a level to be approved by the Commission; and (c) allowed recovery of prudently incurred storm restoration costs and replenishment of the Reserve through charges incremental to base rates, either through a charge established through Section 366.8260, Florida Statutes (2005), and/or another form of surcharge.

5. While approving the storm cost recovery provisions as part of the overall settlement, Commissioners expressed concern over the continuing deficit in the Reserve and at the prospect of concluding the rate proceeding without a current plan to replenish the Reserve to a reasonable level. The Commission requested, and FPL committed, to address those concerns within six months of the August 24, 2005 approval of the Settlement Agreement. FPL filed the Petition dated January 13, 2006, and met its commitment to the Commission to pursue a plan to fund its Reserve within six months of the Commission’s approval of the Settlement Agreement. Order No. PSC-05-0902-S-EI, Docket Nos. 050045-EI, 050188-EI (issued September 14, 2005, Order at p. 5). We find that FPL’s proposed plan, as reflected in its Petition, represents a sound approach to recovering storm restoration costs and replenishing the Reserve to a reasonable balance to be available during the 2006 storm season.

6. Traditional methods for recovering storm-recovery costs and for establishing a Reserve include an accrual in base rates that is contributed to the Reserve and implementation of surcharges or special assessments to recover storm-recovery costs in excess of amounts in the Reserve. Most recently, in Order No. PSC 05-0937-FOF-EI in Docket No. 041291-EI (issued September 21, 2005), this Commission approved (i) recovery of prudently incurred restoration costs related to the hurricanes that struck FPL’s service territory in 2004 in excess of the Reserve balance, subject to adjustments and terms set forth in that Order; and (ii) initiation of a Storm Restoration Surcharge to recover such restoration costs as adjusted. FPL’s prudently incurred 2004 storm season costs in excess of the Reserve currently are being recovered through a monthly storm recovery surcharge equal to \$1.65 for the typical (1,000 kWh) residential bill.

7. At the date of the petition, FPL had a large unrecovered balance associated with the 2004 storm-recovery costs approved by the Commission in the above-referenced Order. This is because the Storm Restoration Surcharge approved by the Commission to recover the costs associated with the 2004 storms has not been in place long enough to recover all of the costs approved by the Commission in that proceeding.

8. With respect to 2005 storm-recovery costs, FPL incurred substantial costs to restore service to customers arising from Hurricanes Dennis, Katrina, Rita and Wilma. Because FPL’s Reserve was depleted as a result of the 2004 storms, FPL advanced its funds to pay for 2005 storm-recovery costs, subject to reimbursement by customers.

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Storm-recovery activities

9. Section 366.8260(2)(a)1. requires that an electric utility petitioning the Commission for a financing order shall describe the storm-recovery activities that the electric utility has undertaken or proposes to undertake and describe the reasons for undertaking the activities.

10. The 2004 storms and FPL’s 2004 storm-recovery activities were described in detail in FPL’s petition and testimony in Docket No. 041291-EI. The Commission approved \$794.3 million of FPL’s prudently incurred storm-recovery costs resulting from the 2004 storm season in Order No. PSC-05-0937-FOF-EI, issued September 21, 2005 in Docket No. 041291-EI.

11. Pursuant to Section 366.8260(2)(b)1.b., FPL requested that the Commission determine that its 2005 storm-recovery costs as discussed herein are reasonable and prudent, with such determination to be made “with reference to the general public interest in, and the scope of effort required to provide, the safe and expeditious restoration of electric service.” In regard to the prudence of its storm-recovery costs, FPL submitted with its Petition the supporting testimony of Geisha Williams, its Vice President of Distribution, Mark Warner, its Vice President of Nuclear Operations Support, K. Michael Davis, its Vice President, Controller and Chief Accounting Officer, and Dr. Richard E. Brown of KEMA T&D Consulting (“KEMA”). Ms. Williams’ testimony described in detail FPL’s approach to storm preparation and storm restoration, including management processes and controls for helping ensure the reasonableness of FPL’s decisions and expenses. Mr. Warner provided a detailed description of FPL’s nuclear division’s storm preparation and restoration activities associated with the 2005 storm season. Mr. Davis also provided information concerning storm restoration processes and costs in the Power Generation Division (FPL’s fossil plant sites) and Other FPL Facilities (Corporate facilities and the Indiantown Central Distribution Facility). Dr. Brown’s testimony assessed FPL’s transmission and distribution systems’ 2005 storm performance, including a statistical examination of data collected during Hurricane Wilma, a review of FPL design standards, a comparison of FPL design standards to standard industry practice, a review of relevant FPL and supplier quality standards and a review of FPL’s past and current pole inspection and maintenance practices.

12. The storm-recovery activities described by FPL Witnesses Williams, Warner and Davis related to the four storms that affected FPL’s service territory in 2005, Hurricanes Dennis, Katrina, Rita and Wilma. Hurricane Wilma, a massive storm and the most destructive event of the season, swept across the most heavily populated areas within FPL’s service territory and resulted in widespread damage to property and infrastructure, including huge portions of FPL’s transmission and distribution system. In the heavily populated counties of Dade, Broward, and Palm Beach, 99% of FPL’s customers were without power once the storm passed. Unlike prior storms, Hurricane Wilma inflicted damage not just to distribution systems, but to transmission structures and substations throughout FPL’s service territory. To repair the damage and restore service to more than 3.2 million customers in 21 counties, over 19,000 restoration workers, including approximately 9,200 foreign utility and other contractor personnel, from 36 states and Canada were deployed by FPL – the largest restoration team assembled by FPL in its 80-year history.

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13. FPL’s efforts and its approach to restoration in 2005 were consistent with the overarching public policy favoring prompt and safe restoration of electric service, and consistent with the expectations of state and local government.

Known and Estimated Costs

14. With respect to unrecovered 2004 storm-recovery costs, in the Commission’s Order No. PSC-05-0937-FOF-EI in Docket No. 041291-EI, the Commission approved collection of a \$442.0 million 2004 Reserve deficiency by FPL from its retail customers. FPL has been collecting a Storm Restoration Surcharge for these costs since February 2005. FPL estimates that \$212 million of this amount will remain to be collected as of July 31, 2006. This amount was estimated by adding monthly interest at the commercial paper rate to the unrecovered balance (as required by the same Commission Order) and subtracting estimated billed revenues based on the average retail surcharge factor approved in Docket No. 041291-EI multiplied by forecasted kWh sales. In addition to the costs to be recovered as a result of the above-referenced Order, the Commission also approved an adjustment to the 2004 storm costs of \$21.7 million which was left as a deficit in the Reserve. The net amount remaining after considering FPL’s 2005 storm accrual of \$20.3 million and fund earnings of \$0.1 million is \$1.4 million. Accordingly, the sum of the 2004 storm cost deficiency as of July 31, 2006 of \$212 million plus the net jurisdictional Commission adjustment of \$1.3 million totals \$213.3 million of unrecovered jurisdictional 2004 storm-recovery costs, for proposed inclusion in the storm recovery financing.

15. With respect to unrecovered 2005 storm-recovery costs, such amounts consist of known storm-recovery costs and an estimate of the costs of storm-recovery activities that are not completed or for which the costs are not yet known, consistent with Section 366.8260(2)(a)2. Unrecovered 2005 storm-recovery costs were incurred to restore service following the damages sustained from Hurricanes Dennis, Katrina, Rita and Wilma. FPL submitted with its Petition the supporting testimony of Mr. Davis, Ms. Williams and Mr. Warner with respect to FPL’s known and estimated 2004 and 2005 storm-recovery costs. A breakdown by categories of costs of the actual and estimated 2005 storm-recovery costs that FPL seeks to recover with respect to Hurricanes Dennis, Katrina, Rita and Wilma in this proceeding is attached to the testimony of Ms. Williams as Document No. GJW-5. Based on the evidence in the record in this proceeding, we find FPL’s estimate of storm-recovery costs to be reliable.

16. Monthly interest calculated at the commercial paper rate through July 31, 2006, is also included on the estimated balances outstanding through that date. The amount of storm-recovery costs that will be financed will be reduced to recognize the income tax benefit received when the costs were deducted for income tax purposes.

17. In determining the amount of unrecovered 2005 storm-recovery costs with respect to Hurricanes Dennis, Katrina, Rita and Wilma proposed for recovery in this proceeding, FPL has made adjustments to the 2005 storm-recovery costs consistent with the Actual Restoration Cost Approach addressed in Docket No. 930405-EI, with an adjustment to remove capital costs. Applying this adjustment method to the 2005 unrecovered storm-recovery costs results in total

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unrecovered pre-tax 2005 storm-recovery costs of \$815.4 million, net of carrying costs estimated to be \$11.5 million based on a storm-recovery bond issuance date of August 1, 2006.

Reasonableness and Prudence of 2005 storm-recovery costs

18. In accordance with Section 366.8260(2)(b)1.b., with reference to the general public interest in, and the scope of effort required to provide, the safe and expeditious restoration of electric service following a storm, we determine based upon the record in this proceeding that storm-recovery costs incurred in connection with the 2005 storm season in the amount of \$815.4 million have been proven to be reasonable and prudent. Section 366.8260(2)(b)1.b., Florida Statutes (2005). We also authorize the recovery of the costs to finance the deficit in the Reserve until-storm-recovery bonds are issued. Section 366.8260(1)(n), Florida Statutes (2005). Issuing this Order will enable FPL to use storm-recovery bonds to recover in a timely manner the storm-recovery costs that the Company incurred and advanced on behalf of its customers during the extraordinary back-to-back 2004 and 2005 storm seasons.

B. RESERVE

19. As articulated in Order Nos. PSC-95-1588-FOF-EI, PSC-95-0264-FOF-EI, PSC-98-0953-FOF-EI, a Reserve should be set at a level that is large enough to cover storm damage from most but not all storm seasons. Such a level should reduce dependence on a relief mechanism such as a special customer assessment. The lower the Reserve balance, the more likely that storm losses will exceed the funds available in the Reserve and therefore the greater the likelihood FPL will have to rely on special assessments. The higher the Reserve balance, the less likely windstorm losses will exceed the funds available in the Reserve.

20. Based on the Storm Loss Analysis sponsored by Mr. Harris of ABS Consulting, which utilizes storm frequency and severity distributions from the entire 103-year historical record, FPL can expect average annual storm losses of \$73.7 million. Given the \$73.7 million expected annual loss, the Reserve Solvency Analysis of Funding Alternatives sponsored by Mr. Harris, with a beginning balance of \$650 million, the chance that expected losses over five storm seasons will exceed the balance of the Reserve in any one of the seasons is approximately 17% (or greater than 1 in 6). Also, Document No. SPH-3 attached to Mr. Harris' testimony demonstrates that the funding level proposed by FPL would be adequate to cover most but not all single SSI-4 storm T&D damage along the eastern coast of FPL's service territory over a five-year period. When more than one storm impacts FPL's service territory in a single season, the proposed funding level would provide proportionally less protection than for the single event damage shown in Document No. SPH-3. Weighing a number of factors including: (i) an expected average annual cost for windstorm losses of approximately \$73.7 million as determined by FPL's outside expert Mr. Harris; (ii) the possibility that Florida may be in the midst of a much more active hurricane period relative to average levels of activity over the much longer term; (iii) the potentially diminished availability of non-T&D property insurance as described by Mr. Dewhurst; and (iv) the impact of the recent severe and unprecedented storm seasons on customer bills in the near term, we find that establishing an approximately \$650 million Reserve level is reasonable to provide funding for most, but not the most extreme, storm seasons. Consistent with our past decisions, in the event that future losses exceed the balance of the Reserve, FPL may petition the Commission at that time for recovery of any such excess amounts.

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21. We recognize that the actual balance of the Reserve resulting from the storm-recovery financing will be influenced by several factors including but not limited to: actual versus forecast surcharge collections for the existing Storm Restoration Surcharge, actual versus projected commercial paper rates, changes in market conditions, differences resulting from the actual versus estimated bond issuance date, as well as changes in estimated 2005 storm-recovery costs. Any differences between the estimated and actual balances for unrecovered 2004 and 2005 storm-recovery costs shall be reflected in the amount of replenishment of the Reserve. Thus, if the actual balance of unrecovered 2004 and 2005 storm-recovery costs is below the estimated July 31, 2006 balance, the resulting balance in the Reserve will be higher and vice versa. This result is reasonable.

C. UPFRONT BOND ISSUANCE COSTS

22. Upfront bond issuance costs, which will be financed from the proceeds of the storm-recovery bonds, include the fees and expenses, including legal expenses, associated with the efforts to obtain this Order, as well as the fees and expenses associated with the structuring, marketing and issuance of each series of bonds, including counsel fees, structural advisory fee, underwriting fees and original issue discount, rating agency and trustee fees (including trustee’s counsel), accounting and auditing fees, printing and marketing expenses, stock exchange listing fees and compliance fees, filing fees, any applicable taxes (including any documentary transfer tax, if applicable), and the costs of any financial advisor retained by the Commission to assist the Commission in performing its responsibilities under Section 366.8260(2)(b)2. and 5., Florida Statutes. Upfront bond issuance costs include reimbursement to the Company for amounts advanced for payment of such costs. Upfront bond issuance costs may also include other types of credit enhancement, not specifically described herein, including letters of credit, reserve accounts, surety bonds, interest rate swaps and other mechanisms designed to promote the credit quality and marketability of the storm-recovery bonds, the upfront costs of any credit enhancements shall be included in the amount of costs to be securitized. Upfront bond issuance costs do not include debt service on the storm-recovery bonds or other ongoing costs, which are addressed later in this Order.

23. FPL has provided estimates of upfront bond issuance costs totaling \$11.4 million in Document No. MPD-3, which is attached to Mr. Dewhurst’s testimony. FPL shall update the upfront bond issuance costs prior to the pricing of the storm-recovery bonds in accordance with the Staff Pre-Issuance Review process addressed later in this Order.

24. Certain upfront bond issuance costs, such as underwriters’ services, trustee services and printing services may be procured through a competitive solicitation process to achieve lower costs. FPL will solicit competitive pricing relative to these upfront bond issuance costs to the extent practicable, and submit the results of such solicitations to Commission Staff prior to the submission of the Preliminary Bond Structuring Information. Within 120 days after the issuance of storm-recovery bonds, FPL is required to file with the Commission information on the actual upfront bond issuance costs. The Commission shall review such information to determine if such costs are the lowest overall upfront bond issuance costs reasonably consistent with market conditions. Section 366.8260(2)(b)5. FPL requests that the Commission determine that if FPL selects the lowest cost qualified provider as a result of competitive solicitations for providing upfront bond issuance services, FPL will be deemed to have satisfied this statutory

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standard. FPL further requests that the Commission determine that FPL will satisfy this statutory standard with respect to any upfront bond issuance costs that are substantiated by documentation and fall within the estimates submitted to Staff as part of its submission of the Preliminary Bond Structuring Information. If such conditions are not satisfied, the Commission may disallow any incremental upfront bond issuance costs in excess of the lowest overall costs by requiring FPL to make a contribution to the Reserve in an amount equal to the excess of actual issuance costs incurred, and paid for out of storm-recovery bond proceeds, and the lowest overall upfront bond issuance costs reasonably consistent with market conditions as determined by the Commission. The Commission will not make adjustments to the storm-recovery charges for any such excess upfront bond issuance costs. We acknowledge the actual upfront bond issuance costs are dependent on the timing of issuance, market conditions at the time of issuance and other events outside the control of the Company, such as possible litigation, possible review by the SEC and rating agency requirements. We also acknowledge that the costs of any financial advisor to the Commission and any legal counsel to the Commission to assist the Commission in performing its responsibilities under Section 366.8260(2)(b)2. and 5., Florida Statutes, are costs solely within the control of the Commission, and are recoverable by FPL from storm-recovery bond proceeds.

II. STORM CHARGE

25. To repay the storm-recovery bonds and associated financing costs and tax liabilities, FPL is authorized to impose a Storm Charge to be applied on a per-kWh basis to all applicable customer classes over a period of approximately twelve years. The Storm Charge is nonbypassable, and must be paid by all customers receiving transmission or distribution services from FPL or its successors or assignees under Commission-approved rate schedules or under special contracts, even if the customer elects to purchase electricity from an alternative electricity supplier following a fundamental change in regulation of public utilities in this state. Section 366.8260(2)(b)2.c., Florida Statutes (2005). In the event that there is a fundamental change in the regulation of public utilities, the Storm Charge shall be collected in a manner that will not adversely affect the rating on the storm-recovery bonds.

26. The Storm Charge consists of two separate and distinct charges, a Storm Bond Repayment Charge which is authorized to provide for repayment of principal and interest on storm-recovery bonds and ongoing costs (as further described below) and a Storm Bond Tax Charge, which is authorized to recover tax liabilities associated with the collection of the Storm Bond Repayment Charge to the extent such tax liabilities are not otherwise recovered from customers through other rates or charges.

27. The Storm Bond Repayment Charge covers the cost associated with repayment of principal and interest on storm-recovery bonds and other ongoing costs. In addition to debt service on the storm-recovery bonds, ongoing costs include servicing fees, legal and accounting costs, trustee fees, rating agency fees, administrative costs, the costs of funding any reserves (such as the replenishment of the Capital Subaccount) and miscellaneous other fees associated with the servicing of the storm-recovery bonds. Ongoing costs may also include the ongoing costs of other types of credit enhancement, not specifically described herein, including letters of credit, reserve accounts, surety bonds, interest rate swaps and other mechanisms designed to promote the credit quality and or lower the interest costs of the storm-recovery bonds. For this

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purpose, ongoing costs do not include the tax liabilities associated with the collection of the Storm Charge, which will be recovered by the Company through the Storm Bond Tax Charge to the extent such tax liabilities are not otherwise recovered from customers through other rates or charges.

28. Document No. MPD-3, attached to the testimony of FPL Witness Moray P. Dewhurst, the Company’s Vice President of Finance and Chief Financial Officer, provides an estimate of the ongoing costs associated with the storm-recovery bonds, which, in addition to debt service, will be recovered through the Storm Bond Repayment Charge. Certain of these ongoing costs, such as the administration fees and the amount of the servicing fee for FPL (as the initial servicer) are determinable, either by reference to an established dollar amount or a percentage, on or before the issuance of the storm-recovery bonds. Other ongoing costs will vary over the term of the bonds. The ongoing costs are found to be reasonable and necessary for all bonds issued in compliance with this Order.

29. The Storm Bond Tax Charge covers the taxes associated with the collection of the Storm Bond Repayment Charge to the extent such tax liabilities are not otherwise recovered from customers through other rates or charges. Tax-related ongoing costs recoverable through the storm-recovery property retained by FPL are:

- a. Any taxes and license fees imposed on the revenues generated from the collection of storm-recovery charges;
- b. Any income taxes resulting from the collection of storm-recovery charges in any such case whether paid, payable, or accrued;
- c. Any state and local taxes, franchise, gross receipts, and other taxes or similar charges, including but not limited to, regulatory assessment fees, in any such case whether paid, payable, or accrued.

Computation of the Storm Charge

30. A formula-based mechanism as described in Section 366.8260(2)(b)4., to calculate, and adjust from time to time, the storm-recovery charges for each customer class was submitted by FPL. FPL submitted with its Petition the supporting testimony of Mr. Davis, which provided the true-up mechanism to determine the periodic payments requirements relating to the storm-recovery bonds to be recovered from the Storm Bond Repayment Charge and the associated tax liabilities to be recovered from the Storm Bond Tax Charge. This formula is attached to the testimony of Mr. Davis as Document No. KMD-8.

31. FPL submitted with its Petition the supporting testimony of Dr. Morley with respect to allocation of these periodic costs and the computation of the Storm Bond Repayment Charge and Storm Bond Tax Charge for each customer class. As discussed in the testimony of Dr. Morley, FPL computed the estimated Storm Bond Repayment Charge and Storm Bond Tax Charge, as described in Section 366.8260(1)(m). In summary, Section 366.8260 provides for the recovery of the retail portion of storm costs through storm-recovery bonds. Accordingly, in order to compute the charges, FPL first separated storm restoration costs between the retail and wholesale jurisdictions, and excluded the wholesale portion from further Storm Charge

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computations. FPL then added to the Commission-jurisdictional portion of the unrecovered 2004 and 2005 storm restoration costs, the proposed estimated \$650 million storm-recovery reserve and the upfront bond issuance costs discussed above.

32. FPL then allocated the total costs described above among the FPL customer rate classes in the manner in which these costs or their equivalent were allocated in the cost-of-service study filed by FPL in connection with FPL’s last rate case, as provided for in Section 366.8260(2)(b)(2)(h). Based upon the jurisdictional allocation, the customer rate class allocation, and the estimated twelve-year recovery period for Storm Charge, FPL used a kWh sales forecast sponsored in the testimony of FPL Witness Dr. Leo Green with respect to FPL’s Petition to calculate the proposed Storm Charge per kWh by rate class. The resulting Storm Bond Repayment Charge and Storm Bond Tax Charge were then set forth in proposed tariff revisions needed to implement the Storm Bond Repayment Charge and Storm Bond Tax Charge. The final initial Storm Charges are expected to approximate these proposed tariff revisions, which are attached as Document No. RM-11 to Dr. Morley’s testimony (subject to changes in market conditions, timing of issuance and other potential changes).

33. We hereby authorize the use of this formula-based mechanism to compute and adjust from time to time the Storm Bond Repayment Charge and the Storm Bond Tax Charge.

Treatment of Storm Charge in Tariff and on Customer Bills

34. The tariff applicable to customers shall indicate the Storm Charge and the ownership of that charge. The proposed tariff sheet, submitted as Document No. RM-11, attached to Dr. Morley’s testimony, reflects the needed language. The Storm Charge will be included in the non-fuel energy charge shown on customer bills. FPL is not required to include amounts owed with respect to the storm-recovery property as a separate line item on individual electric bills.

Assignment of Storm Charge Collections

35. FPL proposed that Storm Charge collections be assigned based on FPL’s existing methodology. FPL would assign cash collections on a customer-by-customer basis. The first dollars collected would be applied to past due balances, if any. Once those balances are paid in full, if cash collections are not sufficient to pay a customer’s current bill then the cash would be prorated between the different components of the bill.

36. The assignment of payments, first to past due amounts and then to current charges, should not prejudice either FPL or the SPE, so long as the assignment is consistently applied, and is consistent with the desired bankruptcy treatment. Partial payments by customers will be allocated pro rata, so that the servicer will remit to the bond trustee the portion of the payment which represents the same proportion as the billed storm-recovery charges bears to the entire amount of the billed charges. We approve FPL’s proposed method of customer payment assignment.

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True-Up of Storm-Recovery Charges

37. As described in the testimony of Mr. Davis, after issuance of storm-recovery bonds, FPL will file with the Commission Staff not less often than twice per year a petition or a letter for the Commission Staff’s review, as described in Section 366.8260(2)(b)4. and in the form attached as Exhibit B to the Servicing Agreement submitted with Mr. Olson’s testimony. The petition or letter will apply the formula-based mechanism described above for making expeditious periodic adjustments in the Storm Bond Repayment Charge and Storm Bond Tax Charge to correct for any overcollection or undercollection of the charges or to otherwise ensure the timely payment of Periodic Payment Requirements for the storm-recovery bonds and other financing costs (including tax liabilities) and other required amounts and charges payable in connection with the storm-recovery bonds, as described in Section 366.8260(2)(b)2.e. and required by Section 366.8260(2)(b)4. As provided in Section 366.8260(2)(b)4., the Commission Staff’s review of such a letter or petition shall be limited to determining whether there is any mathematical error in the application of the formula based mechanism. Pursuant to Section 366.8260(2)(b)2.e. and (2)(b)4., Florida Statutes, the servicer will make true-up adjustment filings at least biannually in accordance with the Petition and supporting testimony. The servicer may also make a true-up adjustment (i) to be effective simultaneously with a base rate change that includes any change in the rate allocation among customers used to determine the Storm Charges, such true-up to go into effect simultaneously with any changes to FPL’s other base rates, and (ii) if required to obtain the requisite triple-A ratings, every three months, which adjustment will also constitute a routine true-up and will be implemented based upon the same time frames as the biannual true-ups. The Commission Staff review of routine true-up adjustment filings will be limited to determining whether the proposed adjustment is calculated correctly. The servicer may also request an amendment to the true-up mechanism if it deems necessary or appropriate to address any material deviations between Storm Charge collections and periodic payment requirements. Any such amendment would be subject to approval within the 60-day approval period contemplated by 366.8260(2)(b)4., and could be undertaken only if such change would not adversely affect the credit ratings on the storm-recovery bonds.

38. In this Order we approve the true-up adjustment process described above and in the testimony. If FPL deems it necessary or appropriate, it could file an amendment to the true-up process described in Mr. Davis’ testimony.

III. MITIGATION OF RATE IMPACTS

39. Section 366.8260(2)(a)7. requires an electric utility petitioning the Commission for a financing order to “estimate any cost savings or demonstrate how it would avoid or significantly mitigate rate impacts to customers resulting from financing storm-recovery costs with storm-recovery bonds as opposed to the traditional method of recovering such costs from customers and through alternative financing methods available to the electric utility.” As addressed in greater detail in FPL’s Petition, an alternative and more traditional method of recovering storm costs and replenishing the Reserve would be storm surcharges to recover the deficit balance in the Reserve and replenish the Reserve to an appropriate level over a reasonable period of time. As Dr. Morley’s testimony demonstrates, the proposed Storm Charge would significantly mitigate rate impacts to customers as compared with the alternative, more traditional method of financing or recovering storm costs. First, the proposed Storm Charge

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would not result in any significant increase in the electric bills of the major customer classes. Indeed, most customers are likely to see a small decrease in their bills. Second, adopting FPL’s proposed Storm Charge would avoid a significant and immediate increase to customer bills that would otherwise result from the more traditional surcharge recovery method. In fact, initial rates under the more traditional storm surcharge method on average would be more than four times the level of the proposed Storm Charge. Third, over the long run the proposed Storm Charge can be expected to result in less volatile charges than would be the case under the more traditional recovery method.

40. Based on the record in this proceeding and other provisions of this Order, we find that issuance of the storm-recovery bonds and the imposition of the storm-recovery charges authorized by this Order are reasonably expected to significantly mitigate rate impacts to customers as compared with alternative methods of financing or recovering storm-recovery costs and storm-recovery reserves; and that the proposed structuring, expected pricing and financing costs of the bonds are reasonably expected to significantly mitigate rate impacts to customers as compared with alternative methods of financing or recovering storm-recovery costs.

41. In light of the size of the current deficit and the need to begin to reduce the deficit and rebuild the Reserve to prepare for another potentially active storm season, we approve a surcharge to be applied to bills rendered on and after August 15, 2006 to recover the 2005 storm-restoration costs over approximately three years (or until the applicable revenue requirements have been recovered) in the event the issuance of storm-recovery bonds is delayed for any reason. The monthly impact to residential customers of this surcharge is currently estimated to be \$2.98 for a typical residential bill (1,000 kWh) based on current estimates for 2005 storm restoration costs. If implemented, this surcharge shall be discontinued when storm-recovery bonds are issued. The amount of storm-recovery bonds issued would be adjusted for the impact of collections of this surcharge.

IV. FLEXIBILITY

42. In this Order, we approve the financing of storm-recovery costs, Reserve replenishment and upfront bond issuance costs through storm-recovery bonds with terms to be established by FPL at the time of pricing, subject to compliance with the Staff Pre-Issuance Review process addressed later in this Order. As addressed above, under Mitigation of Rate Impacts, FPL has provided testimony establishing that the issuance of storm-recovery bonds will significantly mitigate rate impacts to customers as compared with alternative, more traditional methods of recovering storm-recovery costs. The statute requires us to specify the degree of flexibility to be afforded to FPL in establishing the terms and conditions of the storm-recovery bonds, including, but not limited to, repayment schedules, interest rates, and other financing costs, and authorizes us to include in this Order any other conditions that we consider appropriate and that are not otherwise inconsistent with Section 366.8260.

43. FPL proposed that the SPE issue securities with an expected term of approximately 12 years. The storm-recovery bonds may be issued in one or more series, and each series may be issued in one or more classes or tranches. At least some of the bonds should have an expected term of approximately 12 years. The legal maturity may be approximately 14 years. The bonds shall be structured to provide a combined Storm Bond Repayment Charge and

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Storm Bond Tax Charge per kWh to each customer class that is level over the period of recovery if the actual seasonal and year-to-year changes in load match the changes forecast at the time the bonds are structured.

44. As is the case with most debt issuances, the cost of the debt, i.e., the effective interest rate, will not be known until the storm-recovery bonds are priced. Because the mitigation of rate impacts through the proposed bond issuance is significant and based on our approval of an approximate 12-year bond amortization schedule, only a extraordinary change in market conditions between the time this Order is issued and the issuance date would overcome the benefits associated with FPL’s proposal. If market rates rise to such an extent that the initial average retail cents per kWh Storm Charge associated with the storm-recovery bond issuance would exceed the average retail cents per kWh charge associated with the 2004 Storm Restoration Surcharge now in effect, the aggregate amount of the storm-recovery bond issuance shall be reduced to an amount whereby the initial average retail cents per kWh Storm Charge would not exceed the average retail cents per kWh 2004 Storm Restoration Surcharge currently in effect.

45. As noted above, certain costs, such as debt service on the storm-recovery bonds, as well as the ongoing fees of the trustee, rating agency surveillance fees and the ongoing costs of any other credit enhancement or interest rate swaps, will not be known until the pricing of the bonds. This Order provides flexibility to recover such costs through the Storm Charge, and the true up of such charge.

46. We find that the issuance of storm-recovery bonds, consistent with the criteria specified above, will significantly mitigate rate impacts to customers as compared to the more traditional method of recovering such costs from customers and through alternative financing methods available to FPL.

V. TRANSACTION STRUCTURE

47. FPL’s proposed transaction structure, as set forth above in the body of this Order, is hereby approved. As addressed below, FPL is required to file revised Financing Documents (as defined below) with Staff at least 30 days prior to the launch of the sale of the of storm-recovery bonds.

Amortization

48. The maximum expected and final legal maturities for the storm-recovery bonds may not exceed 12 years from the first day of the month following the month in which the bonds are issued and 14 years from the same first day, respectively.

Floating Rates; Use of Swaps

49. FPL may utilize, floating rate securities and interest rate swaps if their use is reasonably expected to provide customer savings.

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Call Provisions

50. FPL is afforded flexibility to include call provisions as it may deem appropriate if their use is reasonably expected to provide customer savings.

Bond Payments

51. The first payment of principal and interest shall occur within 11 months of issuance. Payments of principal and interest thereafter shall be no less frequent than semi-annually.

Credit Ratings

52. The Storm-Recovery Bonds must have a triple-A rating from at least two nationally recognized rating agencies.

Negotiated or Competitive Sale

53. The Commission has determined that a [negotiated sale/competitive sale] is appropriate for the sale of the Bonds.

VI. STAFF PRE-ISSUANCE REVIEW

54. The Commission Staff may review the structuring, marketing and pricing of the bonds to ensure compliance with this Order, in accordance with the process set forth below. FPL shall do all things reasonably necessary, including the timely provision of information, to enable the Commission Staff to ensure the proposed structuring, expected pricing and financing costs of the storm-recovery bonds comply with this Order.

Forms of Financing Documents and Related Offering Materials

55. At least 30 days prior to the proposed date for the launch of the sale of a series of bonds (the “Series Launch Date”), FPL will submit to Staff revised forms of the Sale Agreement, Servicing Agreement, Administration Agreement and bond Indenture submitted as exhibits to Mr. Olson’s testimony (the “Financing Documents”), together with any registration statement and term sheet proposed to be used in connection with the offering of the storm-recovery bonds and forms of any legal opinions to be delivered in connection with the transaction requested by Staff at least 10 business days prior to the Series Launch Date. Such documents and opinions shall be subject to such additions, deletions, and modifications as may be necessary to reflect the pricing, structure, and similar terms of the issuance of the Bonds and such other final terms as may be reasonably be left to negotiation prior to the Series Launch Date, including such final terms as may be required by the rating agencies.

Filing of Preliminary Bond Structuring Information and Forms of Tariff Sheets

56. At least five (5) business days prior to the Series Launch Date, FPL will submit to Staff (i) a draft Issuance Advice Letter (substantially in the form attached hereto as Appendix A), reflecting preliminary bond structuring information for the proposed issuance, including

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expected and final maturities, over-collateralization levels, and any other credit enhancements; and reflecting revised estimates of the upfront issuance costs proposed to be financed from the proceeds of the bonds (together with documentation substantiating such upfront bond issuance costs) and estimates of debt service and of other ongoing costs (including, for this purpose, the taxes recoverable through the Storm Bond Tax Charge) for the first collection period (collectively, the “Preliminary Bond Structuring Information”) and (ii) a draft of the Initial True-Up Letter substantially in the form attached hereto as Appendix B_, which will include the projected initial Storm Bond Repayment Charges and Storm Bond Tax Charges for each customer class resulting from the Preliminary Bond Structuring Information and the application of the formula approved in this Order, as well as the draft tariff sheets implementing the Storm Charges.

57. If the Staff determines based on review of the Preliminary Bond Structuring Information that the launch of the sale of the Bonds would not be in compliance with this Order, then by 5:00 p.m. on the business day that is two business days prior to the Series Launch Date specified in the filing accompanying the Preliminary Bond Structuring Information (the “Bond Structuring Disapproval Deadline”), the Staff will provide the Company actual notice in writing and set forth the reasons for such disapproval (the “Structuring Disapproval Letter”), in which case the Company will be permitted to revise the Series Launch Date, if necessary, and/or to file amended Preliminary Bond Structuring Information in accordance with the provisions of the preceding paragraph.

58. If the Staff does not provide the Company a Structuring Disapproval Letter by the Bond Structuring Disapproval Deadline, the Staff (a) without the need for further action, will affirmatively and conclusively be deemed to have authorized FPL to proceed with the sale of the bonds and (b) confirmed that the forms of the Financing Documents comply with the terms of this Order and such Financing Documents may be used in connection with the offering, subject to completion for final pricing information or any other changes requested by the rating agencies; the tariff sheets may be used for filing the initial Storm Charges.

Filing of Issuance Advice Letter

59. Not later than 48 hours after the proposed series of Bonds is priced and sold to the underwriters, FPL will file with the Commission (i) a completed Issuance Advice Letter substantially in the form attached as hereto (“Issuance Advice Letter”), showing the final terms of the Bonds; and (ii) the completed Initial True-Up Letter which will include the initial Storm Bond Repayment Charge and the Storm Bond Tax Charge for each customer class resulting from approved bond issuance and the application of the methodology approved in this Order. In accordance with Section 366.8260(2)(b)2.i., Florida Statutes, “after the final terms of an issuance of storm-recovery bonds have been established and prior to the issuance of storm-recovery bonds, the [Company] shall determine the resulting initial Storm Charge in accordance with the financing order.” Accordingly, these initial charges will be administratively approved within 24 hours of submission, subject to the correction for any mathematical error, and shall be effective as of the day following delivery of the Bonds “without further Commission action.”

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CONCLUSIONS OF LAW

I. JURISDICTION

1. We have jurisdiction over this matter pursuant to Section 366.8260, Florida Statutes.

II. STATUTORY REQUIREMENTS

2. Based on the statutory criteria and procedures, the record in this proceeding and other provisions of this Order, the statutory requirements for issuance of a financing order have been met, specifically that issuance of the storm-recovery bonds and the imposition of the storm-recovery charges authorized by this Order would significantly mitigate rate impacts to customers as compared with alternative methods of financing or recovering storm-recovery costs and storm-recovery reserves; that the proposed structuring, expected pricing and financing costs of the bonds would significantly mitigate rate impacts to customers as compared with alternative methods of financing or recovering storm-recovery costs; and that the costs to be incurred in the issuance of the bonds will result in the lowest overall costs that are reasonably consistent with market conditions at the time of the issuance and the terms of this Order. This Order meets the requirements for a financing order under Section 366.8260, Florida Statutes.

III. STORM-RECOVERY BONDS

3. SPE will be an assignee as defined in Section 366.8260(1)(b), Florida Statutes, when an interest in storm-recovery property is transferred, other than as security, to SPE.

4. The holders of the storm-recovery bonds and the indenture trustee will each be a financing party as defined in Section 366.8260(1)(g), Florida Statutes.

5. SPE may issue storm-recovery bonds in accordance with this Order.

6. As provided in Section 366.8260, Florida Statutes, the rights and interests of FPL or its successor under this Order, including the right to impose, collect and receive the storm-recovery charges authorized in this Order, are assignable and become storm-recovery property when the bondable storm-recovery property is transferred to SPE.

7. The rights, interests and property conveyed to SPE in the Sale Agreement and the related Bill of Sale, including the irrevocable right to impose, collect and receive the Storm Bond Repayment Charge and the revenues and collections from the Storm Bond Repayment Charge are “storm-recovery property” within the meaning of Section 366.8260, Florida Statutes.

8. All revenues and collections resulting from the Storm Charge will constitute proceeds only of the storm-recovery property arising from this Order.

9. Upon the transfer by FPL of the bondable storm-recovery property to SPE, SPE will have all of the rights, title and interest of FPL with respect to such bondable storm-recovery property including the right to impose, collect and receive the Storm Bond Repayment Charge authorized by this Order.

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10. The storm-recovery bonds issued pursuant to this Order will be “storm-recovery bonds” within the meaning of Section 366.8260(1)(1), Florida Statutes and the storm-recovery bonds and holders thereof are entitled to all of the protections provided under Section 366.8260, Florida Statutes.

11. The methodology approved in this Order to true-up the storm-recovery charges satisfies the requirements of Section 366.8260, Florida Statutes.

12. If and when FPL transfers to SPE the right to impose, collect, and receive the Storm Bond Repayment Charge and to issue the storm-recovery bonds, the servicer will be able to recover the Storm Bond Repayment Charge associated with such bondable storm-recovery property only for the benefit of SPE and the holders of the storm-recovery bonds in accordance with the servicing agreement.

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

IV. STORM-RECOVERY PROPERTY

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

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

16. The storm-recovery property shall constitute an existing, present property right or interest therein, notwithstanding that the imposition and collection of storm-recovery charges depends on FPL performing its servicing functions relating to the collection of storm-recovery charges and on future electricity consumption. Such property shall exist whether or not the revenues or proceeds arising from the property have been billed, have accrued, or have been collected and notwithstanding the fact that the value or amount of the property is dependent on the future provision of service to customers by FPL or its successors or assignees.

17. The storm-recovery property shall continue to exist until the storm-recovery bonds are paid in full and all financing costs and other costs of the bonds have been recovered in full. For the period specified in the preceding sentence, the imposition and collection of storm-recovery charges authorized in this Order shall be paid by all customers receiving transmission or distribution service from FPL or its successors or assignees under Commission-approved rate

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schedules or under special contracts, even if the customer elects to purchase electricity from an alternative electric supplier following a fundamental change in regulation of public utilities in Florida.

18. The storm-recovery property constitutes a present property right for purposes of contracts concerning the sale or pledge of property. The interest of a transferee, purchaser, acquirer, assignee, or pledgee in the storm-recovery property, and in the revenue and collections arising from that property, is not subject to setoff, counterclaim, surcharge, or defense by FPL or any other person or in connection with the reorganization, bankruptcy, or other insolvency of FPL or any other entity. Section 366.8260(5)(a)(5), Florida Statutes.

19. The creation, attachment, granting, perfection, priority and enforcement of liens and security interests in storm-recovery property are governed by Section 366.8260(5)(b), Florida Statutes.

20. Pursuant to Section 366.8260(5)(b)(5), Florida Statutes, the priority of any lien and security interest in the storm-recovery property arising from this Order shall not be considered impaired by any later modification of this Order or by the commingling of the funds arising from storm-recovery charges with any other funds.

21. When FPL transfers bondable storm-recovery property to the SPE pursuant to this Order under an agreement that expressly states that the transfer is a sale or other absolute transfer in accordance with the “absolute transfer” provisions of Section 366.8260(5)(c), Florida Statutes, that transfer shall constitute an absolute transfer and not a secured transaction or other financing arrangement, and title (both legal and equitable) to the bondable storm-recovery property shall immediately pass to the SPE. After such a transfer, the bondable storm-recovery property shall not be subject to any claims of or creditors, other than creditors holding a properly perfected prior security interest in the storm-recovery property perfected under Section 366.8260, Florida Statutes. As provided by Section 366.8260(5)(c)2., Florida Statutes, the characterization of the sale, assignment, or transfer of storm-recovery property as an absolute transfer and the corresponding characterization of the transferee’s property interest shall not be affected by commingling of amounts arising with respect to the storm-recovery property with other amounts, the retention by FPL of a partial or residual interest, including an equity interest, in the storm-recovery property, whether direct or indirect, or whether subordinate or otherwise, any recourse that the transferee may have against FPL other than any such recourse created, contingent upon, or otherwise occurring or resulting from one or more of FPL’s customers’ inability to timely pay all or a portion of the storm-recovery charge, any indemnifications, obligations, or repurchase rights made or provided by FPL, other than indemnity or repurchase rights based solely upon FPL’s customers’ inability to timely pay all or a portion of the storm-recovery charge, the responsibility of FPL to collect storm-recovery charges, the treatment of the sale, conveyance, assignment, or other transfer for tax, financial reporting, or other purposes, or granting or providing to holders of the storm-recovery bonds a preferred right to the bondable storm-recovery property or credit enhancement by FPL or its affiliates with respect to the storm-recovery bonds.

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

V. STATE PLEDGE

23. To encourage utilities to undertake securitization financing to fund storm-recovery activities, other benefits and assurances provided, the State of Florida has pledged to and agrees with bondholders, the owners of the storm-recovery property, and other financing parties that the State will not:

(1) Alter the provisions of Section 366.8260 which make the storm-recovery charges imposed by this Order irrevocable, binding, and nonbypassable charges;

(2) Take or permit any action that impairs or would impair the value of storm-recovery property; or

(3) Except as allowed under Section 366.8260, reduce, alter, or impair storm-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 storm-recovery bonds have been paid and performed in full.

24. Nothing in the State Pledge described in the preceding paragraph shall preclude limitation or alterations if full compensation is made by law for the full protection of the storm-recovery charges collected pursuant to this Order and of the holders of storm-recovery bonds and any assignee or financing party entering into a contract with FPL. Section 366.8260(11), Florida Statutes.

VI. EFFECT OF THIS ORDER

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

26. Subsequent to the earlier of the transfer of storm-recovery property to an assignee or the issuance of storm-recovery bonds authorized hereby, this Order is irrevocable and, except as provided in Section 366.8260(2)(b)(4) and (2)(c), Florida Statutes, this Commission may not amend, modify, or terminate this Order by any subsequent action or reduce, impair, postpone, terminate, or otherwise adjust storm-recovery charges approved herein.

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27. As provided in Section 366.8260(2)(b)6., FPL retains sole discretion regarding whether to assign, sell, or otherwise transfer storm-recovery property or to cause the storm-recovery bonds to be issued, including the right to defer or postpone such assignment, sale, transfer or issuance.

28. The procedures for determining that the upfront bond issuance cost resulted in the lowest overall costs reasonably consistent with market conditions at the time of the issuance and the terms of this Order are reasonable and consistent with Section 366.8260(2)(b)5., Florida Statutes.

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

30. This Order and the charges authorized hereby remain in effect until the storm-recovery bonds have been paid in full and the Commission-approved financing costs have been recovered in full. This Order shall remain in effect and unabated notwithstanding the reorganization, bankruptcy, or other insolvency proceedings of FPL or its successors or assignees. Any successor to FPL, whether pursuant to any reorganization, bankruptcy, or other insolvency proceeding or whether pursuant to any merger or acquisition, sale, or other business combination, or transfer by operation of law, as a result of electric utility restructuring or otherwise, shall perform and satisfy all obligations of, and have the same rights under this Order as, FPL in the same manner and to the same extent as FPL, including collecting and paying to the person entitled to receive the revenues, collections, payments, or proceeds of the storm-recovery property.

31. After the final terms of a series of storm-recovery bonds have been established and prior to the issuance of storm-recovery bonds, FPL shall determine the resulting initial storm-recovery charge in accordance with this Order and such initial storm-recovery charge shall be final and effective upon the issuance of such storm-recovery bonds without further Commission action. The deemed approval of the issuance of the Storm-Recovery Bonds pursuant to this Order is a component of the integrated securitization review and approval structure, the entirety of which is authorized and approved in this Order. No approval of the Commission or its Staff to authorize FPL to cause the issuance of the storm-recovery bonds pursuant to this Order shall be considered or construed as a “final order” of the Commission, or an amendment or supplement to this Order, to which an independent statutory appeal right would attach under law.

“EXHIBIT B”

ORDERING PARAGRAPHS

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Florida Power & Light Company’s petition for a Financing Order authorizing the issuance of storm-recovery bonds in the amount of up to \$1,050 million is granted, subject to the terms set forth in the body of this Order. This will be used to finance the after-tax equivalent of: (i) recovery of the remaining unrecovered balance of its prudently incurred 2004 storm restoration costs of approximately \$213.3 million; (ii) recovery of its jurisdictional unrecovered prudently incurred 2005 storm-recovery costs of approximately \$826.9 million (including the costs to finance the deficit in the Reserve until storm-recovery bonds are issued); (iii) replenishment of the Reserve to a provision level of approximately \$650 million; and (iv) recovery of upfront bond issuance costs. Any difference between the estimated and actual balance of unrecovered 2004 and 2005 storm-recovery costs shall be reflected in the amount of replenishment of the Reserve.

ORDERED that (i) the issuance of the storm-recovery bonds and the imposition of the Storm Charge are reasonably expected to significantly mitigate rate impacts to customers as compared with alternative, more traditional methods of financing or recovering storm-recovery costs and replenishing storm-recovery reserves; and (ii) the proposed structuring, expected pricing and financing costs of the storm-recovery bonds are reasonably expected to significantly mitigate rate impacts to customers as compared with alternative methods of financing or recovering storm-recovery costs and replenishing the Reserve.

ORDERED that if market rates rise to such an extent that the initial average retail cents per kWh Storm Charge associated with the storm-recovery bond issuance would exceed the average retail cents per kWh charge associated with the 2004 Storm Restoration Surcharge now in effect, the aggregate amount of the storm-recovery bond issuance shall be reduced to an amount whereby the initial average retail cents per kWh Storm Charge would not exceed the average retail cents per kWh 2004 Storm Restoration Surcharge currently in effect, recognizing that any such adjustment may affect the resulting balance of the Reserve.

ORDERED that the storm-recovery costs incurred in connection with the 2005 storm season in the amount of \$815.4 million have been proven to be reasonable and prudent. Section 366.8260(2)(b)1.b., Florida Statutes (2005). We also authorize the recovery of the costs to finance the deficit in the Reserve until-storm-recovery bonds are issued. Section 366.8260(1)(n), Florida Statutes (2005). Issuing this Order will enable FPL to use storm-recovery bonds to recover in a timely manner the storm-recovery costs that the Company incurred and advanced on behalf of its customers during the extraordinary back-to-back 2004 and 2005 storm seasons.

ORDERED that establishing an approximately \$650 million Reserve level is reasonable to provide funding for most, but not the most extreme, storm seasons. Consistent with our past decisions, in the event that future losses exceed the balance of the Reserve, FPL may petition the Commission at that time for recovery of any such excess amounts.

“EXHIBIT B”

ORDERED that FPL is authorized to impose, collect and adjust from time to time (as described in this Order) a Storm Charge, which consists of a Storm Bond Repayment Charge and a Storm Bond Tax Charge, to be applied on a per kWh basis to all applicable customer classes over a period of approximately twelve years, or until the storm-recovery bonds are paid in full and all financing costs and other costs of the bonds have been recovered in full.

ORDERED that the storm-recovery property is approved and, upon transfer of the bondable storm-recovery property to the SPE, shall be created, and shall consist of: (1) all rights and interests of FPL or successor or assignee of FPL under this Order, including the right to impose, bill, collect, and receive storm-recovery charges authorized in this Order and to obtain periodic adjustments to such charges as provided in this Order, and (2) all revenues, collections, claims, rights to payments, payments, money, or proceeds arising from the rights and interests specified in clause (1), regardless of whether such revenues, collections, claims, rights to payment, payments, money, or proceeds are imposed, billed, received, collected, or maintained together with or commingled with other revenues, collections, rights to payment, payments, money, or proceeds. The creation of storm-recovery property is conditioned upon, and shall be simultaneous with, the sale or other transfer of the bondable storm-recovery property to the SPE and the pledge of the bondable storm-recovery property to secure storm-recovery bonds. The storm-recovery property shall continue to exist until the storm-recovery bonds are paid in full and all financing cost and other costs of the bonds have been recovered in full. For the period specified in the preceding sentence, the imposition and collection of storm-recovery charges authorized in this Order shall be paid by all customers receiving transmission or distribution service from FPL or its successors or assignees under Commission-approved rate schedules or under special contracts, even if the customer elects to purchase electricity from an alternative electric supplier following a fundamental change in regulation of public utilities in Florida. In the event that there is a fundamental change in the regulation of public utilities, the Storm Charge shall be collected in a manner that will not cause any of the then current credit ratings of the storm-recovery bonds to be suspended, withdrawn or downgraded.

ORDERED that prior to implementing the initial Storm Charge, FPL shall file tariff sheets for administrative approval, which tariff sheets will be administratively approved by Staff within 24 hours, subject to correction for any mathematical error. At Staff's request, FPL shall furnish draft tariff sheets at least five (5) business days in advance of the Series Launch Date.

ORDERED that the Storm Charge shall be allocated to the customer classes in accordance with the Petition and FPL's testimony, using the criteria set out in Section 366.06(1), Florida Statutes, in the manner in which these costs or their equivalent were allocated in the cost-of-service study filed in Docket No. 050045-EI, until altered by a subsequent rate case.

ORDERED that the existing 2004 Storm Restoration Surcharge shall be terminated simultaneously with the effective date of FPL's tariff sheets imposing the Storm Charge, which shall be effective as of the day following delivery of the bonds without further Commission action.

“EXHIBIT B”

ORDERED that if the issuance of storm-recovery bonds is delayed for any reason, we approve FPL’s request to initiate a surcharge for bills rendered on and after August 15, 2006 to recover the 2005 storm restoration costs over approximately three years (or until the applicable revenue requirements have been recovered). Any such surcharge shall be discontinued when storm-recovery bonds are issued, and the amount of storm-recovery bonds issued shall be adjusted for the impact of collections of this surcharge. Prior to implementing such a surcharge, FPL shall submit tariff sheets for administrative approval.

ORDERED that we approve the proposed Transaction Structure for the storm-recovery bonds, as set forth in the body of this Order. As addressed in the Staff Pre-Issuance Review process set forth in the Order, FPL is required to file revised Financing Documents with Staff at least 30 days prior to the Series Launch Date.

ORDERED that FPL is authorized to sell to the SPE the bondable storm-recovery property, not including storm-recovery property related to the taxes and other items of financing costs described in Section 366.8260(1)(e)4.,5. and 6., Florida Statutes, which tax-related storm-recovery property shall be retained by FPL.

ORDERED that, in accordance with the terms of this Order and subject to the criteria and Staff Pre-Issuance Review process described herein, the SPE is authorized to issue storm-recovery bonds in an aggregate principal amount not to exceed \$1,050 million, and may pledge to an indenture trustee, as collateral for payment of the storm-recovery bonds, the bondable storm-recovery property, including the SPE’s right to receive the related Storm Bond Repayment Charge as and when collected, the SPE’s rights under the servicing agreement and other collateral described in the indenture. As provided in Section 366.8260(2)(b)6., FPL retains sole discretion regarding whether to assign, sell, or otherwise transfer storm-recovery property or to cause the storm-recovery bonds to be issued, including the right to defer or postpone such assignment, sale, transfer or issuance.

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

ORDERED that this Order and the charges authorized hereby remain in effect until the storm-recovery bonds and all financing costs (including tax liabilities) related thereto have been paid or recovered in full. This Order shall remain in effect and unabated notwithstanding the reorganization, bankruptcy, or other insolvency proceedings of FPL or its successors or assignees. Any successor to FPL, whether pursuant to any reorganization, bankruptcy, or other insolvency proceeding or whether pursuant to any merger or acquisition, sale, or other business combination, or transfer by operation of law, as a result of electric utility restructuring or

“EXHIBIT B”

otherwise, shall perform and satisfy all obligations of, and have the same rights under this Order as, FPL in the same manner and to the same extent as FPL, including collecting and paying to the person entitled to receive the revenues, collections, payments, or proceeds of the storm-recovery property.

ORDERED that the SPE issuing storm-recovery bonds is authorized, pursuant to Section 366.8260(11)(c), Florida Statutes, and this Order, to include the State of Florida pledge with respect to storm-recovery property and storm-recovery charges in the bonds and related documentation as provided for in Section 366.8260(11)(b), Florida Statutes.

ORDERED that FPL is authorized to form the SPE to be structured as discussed in this Order and as described in the LLC Agreement which is hereby approved. FPL is authorized to execute the LLC Agreement, substantially in the form submitted to the Commission, subject to such changes as FPL deems necessary or advisable to satisfy bankruptcy or rating agency considerations. The SPE shall be funded with an amount of capital that is sufficient for the SPE to carry out its intended functions as contemplated in the Petition and this Order. The capital contribution by FPL to the SPE shall be funded by FPL and not from the proceeds of the sale of storm-recovery bonds.

ORDERED, that the Commission approves, and FPL is also authorized to enter into, the Storm-Recovery Property Sale Agreement, the Administration Agreement and the Storm-Recovery Property Servicing Agreement in substantially the forms of those agreements submitted to the Commission with such modifications as required by the rating agencies, subject to the Staff Pre-Issuance Review process authorized herein.

ORDERED that storm-recovery bonds may be issued in one or more series, each series with one or more classes or tranches. The bond indenture is hereby approved in substantially in form submitted to this Commission with such modifications as required by the rating agencies, subject to the Staff Pre-Issuance Review process authorized herein. Subject to compliance with the requirements of this Order, FPL and the SPE shall be afforded flexibility in establishing the terms and conditions of the storm-recovery bonds, repayment schedules, term, payment dates, collateral, redemption provisions, credit enhancement, required debt service, reserves, interest rates, indices and other financing costs. FPL may utilize floating rate securities and interest rate swaps if their use is reasonably expected to provide customer savings.

ORDERED that the Commission Staff shall review the structuring, marketing and pricing of the bonds to ensure compliance with this Order, in accordance with the Staff Pre-Issuance Review process and criteria set forth in the body of this Order, which Staff Pre-Issuance Review process and criteria are hereby approved.

ORDERED that the degree of flexibility set forth in the “Flexibility” section of this Order is hereby approved, subject to compliance with the Staff Pre-Issuance Review process.

ORDERED that, consistent with the Staff Pre-Issuance Review process and criteria set forth in the body of this Order, FPL will do all things reasonably necessary, including the timely provision of information, to enable the Commission Staff to ensure the structuring, marketing and pricing of the Bonds comply with the terms of this Order.

“EXHIBIT B”

ORDERED that within 48 hours of the sale of storm-recovery bonds, FPL will file with the Commission a completed issuance advice letter as provided in this Order, and upon filing, the terms of such bond issuance shall be deemed approved, which approval shall be final and irrevocable for all purposes of this Order without any further Commission action.

ORDERED that within 48 hours of the pricing of the bonds, FPL shall also file a completed Initial True-Up Letter, which will include the initial charges for each customer class resulting from approved bond issuance and the application of the methodology approved in this Order. These initial charges will be administratively approved within 24 hours of submission, subject to the correction for any mathematical error, and shall be final and effective as of the day following delivery of the bonds without further Commission action.

ORDERED that the deemed approval of the issuance of the storm-recovery bonds pursuant to this Order is a component of the integrated securitization review and approval structure, the entirety of which is authorized and approved in this Order. No deemed approval of the Commission to authorize FPL to cause the issuance of the Storm-Recovery Bonds pursuant to this Order shall be considered or construed as a “final order” of the Commission, or an amendment or supplement to this Order, to which an independent statutory appeal right would attach under law.

ORDERED that we approve the true up adjustment process described in the body of this Order and in the testimony. If FPL deems it necessary, it could file an amendment to the true-up process, which would be subject to Commission approval.

ORDERED that FPL or its assignee is authorized to recover the Periodic Payment Requirement and shall file with the Commission at least every six months a petition or a letter applying the formula-based mechanism and, based on estimates of consumption for each rate class and other mathematical factors, requesting administrative approval to make the necessary adjustments. The review of such a request shall be limited to determining whether there is any mathematical error in the application of the formula-based mechanism relating to the appropriate amount of any overcollection or undercollection of storm-recovery charges and the amount of an adjustment. Such adjustments shall ensure the recovery of revenues sufficient to provide for the payment of principal, interest, acquisition, defeasance, financing costs, or redemption premium and other fees, costs, and charges in respect of storm-recovery bonds approved under this Order. Within 30 days after receiving FPL’s (or its assignee’s) request pursuant to this paragraph, and as soon within the 30-day period as it deems feasible, this Commission shall either approve the request or inform FPL (or its assignee) of any mathematical errors in its calculation. If this Commission informs FPL (or its assignee) of mathematical errors in its calculation, FPL (or its assignee) shall correct its error and refile its request. The same 30-day timeframe shall apply to a refiled request. Additional adjustments shall be performed as described in this Order.

ORDERED that we hereby authorize the use of the formula-based mechanism approved in the body of this Order to compute and adjust from time to time the Storm Bond Repayment Charge and the Storm Bond Tax Charge.

ORDERED that we approve FPL’s proposed method of assignment of Storm Charge collections, as set forth in the body of this Order.

“EXHIBIT B”

ORDERED that within 120 days after the issuance of storm-recovery bonds, FPL shall file with the Commission information on the upfront bond issuance costs. The Commission shall review such information to determine if such costs comply with Section 366.8260(2)(b)5., Florida Statutes; however, if FPL has selected the lowest cost qualified provider for bond issuance services as a result of competitive solicitation, FPL will be deemed to have satisfied this statutory standard. Such upfront bond issuance costs will also satisfy this statutory standard if they are substantiated by documentation and fall within the estimates submitted to Staff as part of the Preliminary Bond Structuring Information. If such conditions are not satisfied, the Commission may disallow any incremental upfront incremental issuance costs in excess of the lowest overall costs by requiring FPL to make a contribution to the Reserve in an amount equal to any excess of actual issuance costs incurred, and paid for out of storm-recovery bond proceeds, and the lowest overall issuance costs as determined by the Commission. The Commission may not make adjustments to the storm-recovery charges for any such excess issuance costs. Upfront bond issuance costs do not include debt service on the storm-recovery bonds (or other ongoing costs). FPL shall pay the fee of any Commission financial advisor (and any legal counsel) who assist the Commission in performing its responsibilities under Section 366.8260(2)(b)2. and 5., Florida Statutes, as an upfront bond issuance cost from the proceeds of the storm-recovery bonds. The costs of the Commission’s financial advisor and any legal counsel who assist the Commission in performing its responsibilities under Section 366.8260(2)(b)2. and 5., Florida Statutes, are deemed consistent with the statutory standard.

ORDERED that the Commission authorizes FPL to enter into the servicing agreement with the SPE and to perform the servicing duties approved in this Order. Without limiting the foregoing, in its capacity as initial servicer of the storm-recovery property, FPL is authorized to calculate, bill and collect for the account of SPE, the Storm Bond Repayment Charges initially authorized in this Order, as adjusted from time to time to meet the Periodic Payment Requirement as provided in this Order; and to make such filings and take such other actions as are required or permitted by this Order in connection with the periodic true-ups described in this Order. The servicer shall be entitled to collect servicing fees in accordance with the provisions of the servicing agreement, provided that (i) the annual servicing fee payable to FPL while it is serving as servicer (or to any other servicer affiliated with FPL) shall be 0.05% of the original principal amount of the storm-recovery bonds. The annual servicing fee payable to any other servicer not affiliated with FPL shall not at any time exceed [0.6]% of the original principal amount of the storm-recovery bonds unless such higher rate is approved by the Commission pursuant to the following Ordering Paragraph.

ORDERED that upon the occurrence of an event of default under the servicing agreement relating to servicer’s performance of its servicing functions with respect to the Storm Bond Repayment Charges, the indenture trustee may, and upon the instruction of the requisite holders of the outstanding bonds, shall replace FPL as the servicer in accordance with the terms of the servicing agreement. If the servicing fee of the replacement servicer will exceed the applicable maximum servicing fee specified in the preceding Ordering Paragraph, the replacement servicer shall not begin providing service until (i) the date the Commission approves the appointment of such replacement servicer or (ii) if the Commission does not act to either approve or disapprove the appointment, the date which is 45 days after notice of appointment of the replacement servicer is provided to the Commission.

“EXHIBIT B”

ORDERED that no entity may replace FPL as the servicer in any of its servicing functions with respect to the Storm Bond Repayment Charges and the bondable storm-recovery property authorized by this Order, if the replacement would cause any of the then current credit ratings of the storm-recovery bonds to be suspended, withdrawn, or downgraded.

ORDERED that the parties to the servicing agreement, indenture, and sale agreement may amend the terms of such agreements solely in accordance with the terms of such agreements.

ORDERED that the servicer shall remit collections of the Storm Bond Repayment Charges to the SPE or the indenture trustee for SPE’s account in accordance with the servicing agreement.

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

ORDERED that following repayment of the storm-recovery bonds authorized in this Order and release of the funds by the trustee, the servicer, on behalf of the SPE shall distribute to the servicer and any other entities responsible for collection of storm-recovery charges from customers, the final balance of the general, reserve and all other subaccounts (except the Capital Subaccount), whether such balance is attributable to principal amounts deposited in such subaccounts or to interest thereon.

ORDERED that FPL or any assignee may apply for one or more new financing orders pursuant to Section 366.8260, Florida Statutes. The SPE may issue storm-recovery bonds approved in this Order, or in future financing orders, so long as such future issuance does not cause any of the then current credit ratings of any storm-recovery bonds of the SPE to be suspended, withdrawn, or downgraded..

ORDERED that the Reserve shall be held in a funded reserve that may be held, accessed, or used for all lawful purposes for FPL’s Reserve (Account No. 228.1) with an approved initial provision level of approximately \$650 million in accordance with Rule 25-6.0143, Florida Administrative Code and prior Commission orders.

ORDERED that the Commission has determined that a [negotiated sale/competitive sale] is appropriate for the sale of the Bonds.

ORDERED that the Commission’s financial advisor shall not have any financial interest in the storm-recovery bonds, participate in the underwriting, or participate in secondary market trading of the bonds. Any ongoing costs associated with the Commission’s financial advisor (and any legal counsel) are deemed reasonable for purposes of recovery through the proceeds of storm-recovery bonds issued pursuant to this Order.

“EXHIBIT B”

ORDERED that all regulatory approvals within the jurisdiction of the Commission that are necessary for the securitization of the storm-recovery charges associated with the storm-recovery property and other qualified costs that are the subject of the Petition are granted. This Order constitutes a legal financing order for FPL under Section 366.8260, Florida Statutes. The Commission finds this Financing Order complies with Section 366.8260(2)(b)1., Florida Statutes. A financing order gives rise to rights, interests, obligations and duties as expressed in Section 366.8260, Florida Statutes. It is the Commission’s express intent to give rise to those rights, interests, obligations and duties by issuing this Order. If FPL proceeds pursuant to this Order, FPL and any other servicer of storm-recovery bonds authorized hereby are directed to take all actions as are required to effectuate the transactions approved in this Order, subject to the compliance with Section 366.8260, Florida Statutes, and with this Order. This Order is a final order, the appeal of which is to be conducted pursuant to Section 366.8260(2)(d), Florida Statutes. The finality of this Financing Order is not impacted by the actions or inactions taken by the Commission with respect to any other matters considered in this proceeding. Should any other Order entered in this proceeding, if appealed to the courts, not be upheld in full on appeal, such judicial ruling will in no event impact or modify the finality or effectiveness of this Financing Order.

By ORDER of the Florida Public Service Commission this __ day of May, 2006.

_____, Director
Division of the Commission Clerk
and Administrative Services

By: _____
_____, Chief
Bureau of Records

(S E A L)

“EXHIBIT B”

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.68(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Within 30 days after the issuance of a financing order pursuant to Section 366.8260, Florida Statutes or a decision denying a request for reconsideration or, if the request for reconsideration is granted, within 30 days after the Commission issues its decision on reconsideration, an adversely affected party may petition for judicial review in the Florida Supreme Court. The petition for review shall be served upon the Executive Director of the Commission personally or by service at the office of the Commission. Review on appeal shall be based solely on the record before the Commission and briefs to the court and shall be limited to determining whether this Order conforms to the constitution and laws of this state and the United States and is within the authority of the Commission under Section 366.8260, Florida Statutes. Inasmuch as delay in the determination of the appeal of a financing order will delay the issuance of storm-recovery bonds, thereby diminishing savings to customers which might be achieved if such bonds were issued as contemplated by a financing order, the Supreme Court shall proceed to hear and determine the action as expeditiously as practicable and give the action precedence over other matters not accorded similar precedence by law.

Any party adversely affected by the Commission’s final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, within fifteen (5) days of the issuance of this Order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water and/or wastewater utility by filing a notice of appeal with the Division of the Commission Clerk and Administrative Services and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this Order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure and Section 366.8260(2)(d), Florida Statutes. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

ISSUANCE ADVICE LETTER
[FPL Letterhead]

[DATE]

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

Re: Storm-Recovery Costs Financing Order; Docket No. _____
Dear _____:

Pursuant to the financing Order in the above-captioned Docket ("Financing Order"), Florida Power & Light Company ("Company") hereby transmits for filing this Issuance Advice Letter. Any terms not defined herein shall have the meanings ascribed thereto in the Financing Order or Section 366.8260, Florida Statutes.

In the Financing Order, the Commission requires the Company to file an Issuance Advice Letter when pricing terms for a series of the storm-recovery bonds referenced below have been approved by the Company.

The terms of pricing and issuance of the Storm-Recovery Bonds are as follows:

- Name of Storm-Recovery Bonds: _____
- Name of SPE: _____
- Name of Trustee: _____
- Proposed Closing Date: _____
- Bond Ratings: _____
- Total Principal Amount of Storm-Recovery Bonds to be Issued (i.e., Amount of Storm-Recovery Costs and Up-Front Bond Issuance Costs to be Financed): (See Attachment 1)
- Estimated Up-Front Bond Issuance Costs: _____
(See Attachment 2)
- Interest Rates and Expected Amortization Schedule: (See Attachment 3)
- Distributions to Investors (quarterly or semi-annually): _____
- Weighted Average Coupon Rate:¹ _____
- Annualized Weighted Average Yield:² _____

“EXHIBIT B”

Initial Balance of Capital Subaccount: _____

[Description of Hedges/Swaps]

Estimated/Actual Ongoing Costs for first [year] of Storm-Recovery Bonds – (See Attachment 4)

The Company hereby certifies that all proposed terms of pricing and issuance of the Storm-Recovery Bonds are consistent with the terms of the Financing Order as set forth on Attachment 5.

Respectfully submitted,

Florida Power & Light Company
[by Chief Financial Officer]

¹Weighted by modified duration and principal amount.

²Weighted by modified duration and principal amount.

ATTACHMENT 1
TOTAL PRINCIPAL AMOUNT OF STORM-RECOVERY BONDS TO BE ISSUED
(TOTAL AMOUNT OF STORM-RECOVERY COSTS, RESERVE AND UPFRONT
BOND ISSUANCE COSTS TO BE FINANCED)¹

	<u>\$ Millions</u>
2004 Jurisdictionalized Unrecovered Storm-Recovery Costs	
2005 Jurisdictionalized Unrecovered Storm-Recovery Costs	
Estimated Replenishment of Depleted Reserve	
Total Costs Subject to Storm-Recovery Financing	
Less: Income Taxes at 38.575%	
After-tax Costs Subject to Storm-Recovery Financing	
Estimated Upfront Bond Issuance Costs	
Rounding to nearest million	
Total Storm-Recovery Bond Issuance	*

*Subject to change if market rates rise to such an extent that the initial average retail cents per kWh Storm Charge associated with the storm-recovery bond issuance would exceed the average retail cents per kWh charge associated with the 2004 Storm Restoration Surcharge now in effect, as described in this Order.

¹ Refer to the attached workpapers.

ATTACHMENT 2¹
ESTIMATED UP-FRONT BOND ISSUANCE COSTS

Underwriters' Fees	\$
SEC Fees	
Rating Agency Fees	
Legal Fees	
Auditing Fees	
Commission's Financial Advisor Fees	
Trustee Fee	
Servicer Set-up Fee	
SPV Set-up Fee	
Printing	
Company's Financial Advisor's Fee	
Original Issue Discount	
Marketing and Miscellaneous	
TOTAL ESTIMATED UP-FRONT BOND ISSUANCE COSTS	\$

¹ Pursuant to the Section 366.8260(2)(b)5. and the Financing Order, the Company is required to file with the Commission the actual Up-Front Bond Issuance Costs within 120 days of the Closing Date.

ATTACHMENT 3
EXPECTED AMORTIZATION SCHEDULE

A. General Terms

<u>Class or Tranche</u>	<u>Price</u>	<u>Coupon</u>	<u>Fixed/ Floating</u>	<u>Average Life</u>	<u>Stated Maturity</u>	<u>Call Feature</u>
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B. Scheduled Amortization Requirement

<u>Date</u>	<u>[Class or Tranche]</u>	<u>[Class or Tranche]</u>	<u>[Class or Tranche]</u>
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ATTACHMENT 4
ESTIMATED¹ ONGOING COSTS

	ESTIMATED ANNUAL AMOUNT
Servicing Fee (0.05% of Storm-Recovery Bonds initial principal amount)(fixed)	
Administration Fees (fixed)	
Trustee Fees	
Accounting Fees	
Legal Fees	
Independent Managers' Fees	
Rating Agency Fees	
Miscellaneous	
TOTAL ONGOING COSTS	

¹ The amounts shown for each category of operating expense on this attachment are the expected expenses for the first year of the Storm-Recovery Bonds. Costs are estimated, except as shown. Storm-Recovery Charges will be adjusted at least bi-annually (or more frequently as permitted by the Financing Order) to reflect any changes in Ongoing Costs through the true-up process described in this Financing Order.

ATTACHMENT 5
FINANCING ORDER PARAMETERS

• Bond Size	The principal amount of the Storm-Recovery Bonds may not exceed the aggregate principal amount \$1,050 million
• Rate Cap	If market rates rise to such an extent that the initial average retail cents per kWh Storm Charge associated with the Storm-Recovery Bond issuance would exceed the average retail cents per kWh charge associated with the 2004 Storm Restoration Surcharge now in effect, the initial principal amount of the Storm-Recovery Bonds shall be reduced to an amount whereby the initial average retail cents per kWh Storm Charge would not exceed the average retail cents per kWh 2004 Storm Restoration Surcharge.
• Bond Maturity	The scheduled amortization upon issuance of the Storm-Recovery Bonds will be up to 12 years following the first day of the month following the month in which the bonds are issued, and the final legal maturity will be up to two additional years.
• Amortization	Set to provide substantially equal forecasted average retail cents per kilowatt-hour charges (including the Storm Bond Repayment Charge and Storm Bond Tax Charge).
• Payment Dates	The first payment of principal and interest shall be scheduled to occur within 11 months of issuance. Payments of principal and interest thereafter shall be no less frequent than semi-annually.
• Capital Subaccount	The Company shall capitalize the SPE at .50% of the initial principal amount of the Storm-Recovery Bonds.
• Floating Rates; Use of Swaps	FPL may utilize, floating rate securities and interest rate swaps if their use is reasonably expected to provide customer savings.
• Credit Ratings	The Storm-Recovery Bonds must have a triple-A rating from at least two nationally recognized rating agencies.
• Call Provisions	FPL may utilize call provisions if their use is reasonably expected to provide customer savings.

Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Financing Order.

INITIAL TRUE-UP LETTER

[FPL Letterhead]

[date]

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

Re: Storm-Recovery Costs Financing Order; Docket No.: _____

Dear _____:

Pursuant to the Commission's Financing Order in the above-referenced Docket, Florida Power & Light Company ("Company") hereby submits the schedule of the initial Storm Bond Repayment Charge¹ and the Storm Bond Tax Charges (the "Initial Charges"). The Initial Charges have been calculated in accordance with the methodology described in the Financing Order and based upon the structuring and pricing terms of the Storm-Recovery Bonds set forth in the Issuance Advice Letter dated _____, 2006 attached hereto as Exhibit _____. The structuring and pricing terms contained of the Issuance Advice Letter have been approved by the Commission in accordance with the Financing Order, which approval is final and irrevocable. Any capitalized terms not defined herein shall have the meanings ascribed thereto in the Financing Order.

Table I provides the Revenue Requirements for calculating the Initial Charges. Table II calculates the Initial Charges based upon the cost allocation formula approved in the Financing Order. Also attached are the calculations and supporting data for such tables.

Pursuant to the Financing Order, the Commission staff will approve the Initial Charges within 24-hours of submission of this filing, subject only to the correction of any mathematical error (which shall be corrected within such time frame).

Pursuant to the terms of the Financing Order, the Company, as Servicer of the Storm-Recovery Bonds or any successor Servicer and on behalf of the trustee as assignee of the SPE, is required to apply at least bi-annually for mandatory periodic adjustment to the Storm Bond Repayment Charges and related Storm Bond Tax Charges. The Initial Charges shall remain in effect until the filing and approval of such a bi-annual true-up filing.

Respectfully submitted,

Florida Power & Light Company
[by Chief Financial Officer]

Attachments

TABLE 1

REVENUE REQUIREMENT AND INPUT VALUES

[See Document No. KMD-8 submitted with FPL's filing]

TABLE 2

INITIAL STORM BOND REPAYMENT CHARGE
AND STORM BOND TAX CHARGE

Rate Schedule	Storm Bond Repayment Charge	Storm Bond Tax Charge	Total Storm Charges
RS-1, RST-1			
GS-1, GST-1, WIES-1			
GSD-1, GSDT-1, HLTF (21-499 KW)			
GSLD-1, GSLDT-1, HLTF (500-1,999 KW)			
CS-1, CST-1			
GSLD-2, GSLDT-2, HLTF (2000+KW)			
CS-2, CST-2			
GSLD-3, GSLDT-3, CS-3, CST-3			
OS-2			
MET			
CILC-1(G)			
CILC-1(D)			
CILC-1(T)			
SL-1, PL-1			
OL-1			
SL-2, GSCU1			
SST-1(T), ISST-1(T)			
SST-1(D1), SST-1(D2) SST-1(D3), ISST-1(D)			