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June 29, 2015

VIA HAND DELIVERY

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

REDACTED

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COMMISSION
CLERK

Re: In re: Florida Power & Light Company's Petition for Approval of Arrangement To Mitigate Impact of Unfavorable Cedar Bay Power Purchase Obligation

Dear Ms. Stauffer:

Enclosed for filing on behalf of Florida Power & Light Company ("FPL") are an original and seven (7) copies of FPL's Request for Confidential Classification. The original includes Exhibits A through D. The seven copies do not include copies of the exhibits.

Exhibit A contains the confidential information that is the subject of FPL's Request for Confidential Classification. Exhibit A consists of the confidential documents and all the information that FPL asserts is entitled to confidential treatment has been highlighted. Exhibit B is an edited version of Exhibit A, in which the information FPL asserts is confidential has been redacted. Exhibit C is a justification table in support of FPL's Request for Confidential Classification. Exhibit D contains two affidavits in support of FPL's Request for Confidential Classification. Also included in this filing is a compact disc containing FPL's Request for Confidential Classification and Exhibit C, in Microsoft Word format.

Please contact me should you or your Staff have any questions regarding this filing.

Sincerely,

Maria J. Moncada
for Maria J. Moncada

- COM _____
 - AFD 2
 - APA _____
 - ECO 2
 - ENG 2 + copy + Redacted
 - GCL 1
 - IDM _____
 - TEL _____
 - CLK _____
- Enclosures
cc: parties of record, (Request for Confidential Classification w/o exhibits)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of arrangement to mitigate impact of unfavorable Cedar Bay power purchase obligation, by Florida Power & Light Company

Docket No: 150075-EI

Date: June 29, 2015

FLORIDA POWER & LIGHT COMPANY'S REQUEST FOR CONFIDENTIAL CLASSIFICATION OF TESTIMONY FILED BY THE OFFICE OF PUBLIC COUNSEL

Pursuant to Section 366.093, Florida Statutes, and Rule 25-22.006, Florida Administrative Code, Florida Power & Light Company ("FPL") requests confidential classification of certain information contained in the testimony of Office of Public Counsel ("OPC") witnesses Christopher Dawson and Gary Brunault. Specifically, FPL In support of its request, FPL states:

1. On June 8, 2015, FPL filed a Notice of Intent to Request Confidential Classification of testimony and exhibits filed by OPC. Pursuant to Rule 25-22.006(3)(a)1, FPL is required to file a Request for Confidential Classification for the confidential information within 21 days. Accordingly, FPL is filing this Request for Confidential Classification to maintain continued confidential handling of the information contained in testimony and exhibits filed by OPC.

2. The following exhibits are included with and made a part of this request:

a. Exhibit A consists of a copy the confidential documents, on which all information that is entitled to confidential treatment under Florida law has been highlighted.

b. Exhibit B consists of a copy of the confidential documents, on which all the information that is entitled to confidential treatment under Florida law has been redacted.

c. Exhibit C is a table containing an identification of the information highlighted in Exhibit A, together with a brief description of the documents designated

confidential. Exhibit C also sets forth references to the specific statutory bases for the claim of confidentiality and to the affiant who supports the requested classification.

d. Exhibit D consists of the affidavits of Thomas L. Hartman and David Herr.

3. FPL submits that the highlighted information in Exhibit A is proprietary confidential business information within the meaning of Section 366.093(3), Florida Statutes. This information is intended to be and is treated by FPL as private, and its confidentiality has been maintained. Pursuant to Section 366.093, such information is entitled to confidential treatment and is exempt from the disclosure provisions of the public records law. Thus, once the Commission determined that the information in question is proprietary confidential business information, the Commission is not required to engage in any further analysis or review such as weighing the hard of disclosure against the public interest in access to the information.


4. As the affidavits included as Exhibit D indicates, the testimonies of OPC witnesses Christopher Dawson and Gary Brunault contain information relating to competitive interest, the disclosure of which would impair the competitive business of the provider of the information. This information is protected by Sections 366.093(3)(e), Fla. Stat.

5. Upon a finding by the Commission that the Confidential Information remains proprietary and confidential business information, the information should not be declassified for at least an additional eighteen (18) month period and should be returned to FPL as soon as it is no longer necessary for the Commission to conduct its business. *See* § 366.093(4), Fla. Stat.

WHEREFORE, for the above and foregoing reasons, as more fully set forth in the supporting materials and affidavit included herewith, Florida Power & Light Company respectfully requests that its Request for Confidential Classification be granted.

Respectfully submitted,

John T. Butler
Assistant General Counsel - Regulatory
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By: 

For Maria J. Moncada
Florida Bar No. 0773301


CERTIFICATE OF SERVICE
Docket No. 150075-EI

I HEREBY CERTIFY that a true and correct copy of the foregoing Request for Confidential Classification* has been furnished by electronic mail on this 29th day of June, 2015 to the following:

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By: 
for _____
Maria J. Moncada
Florida Bar No. 0773301

*The exhibits to this Request are not included with the service copies, but copies of Exhibits B, C and D are available upon request.

1 Q. WHAT IS FPL'S ESTIMATED PRICE FOR THE INCREMENTAL
2 CAPACITY REQUIREMENTS AND WHAT IS THE BASIS FOR THAT
3 PRICE?

4 A. According to documents that FPL provided in discovery, specifically Bates Nos.
5 CB15-009440 and CB15-009467, FPL uses a 2015 purchase proxy price of
6 ^A [REDACTED]-month, which FPL escalates at ^B [REDACTED] per annum until the year 2018, to
7 determine capacity purchase prices for future years. Using these assumptions, my
8 calculations of the 2018 and 2022 capacity prices is \$3.48/kW-month. Using these
9 calculated rates and FPL's claimed capacity requirements of 322 MW (2018) and 88
10 MW (2022), I derive short-term capacity purchases costs of \$13.4 million and \$3.7
11 million, respectively. Excluding rounding to the nearest million, my calculations are
12 close to FPL's capacity charges of ^C [REDACTED] million (2018) and ^D [REDACTED] million (2022)
13 contained in Bates Nos. CB15-009457. This provides support for my determination
14 that my calculated \$3.48/kW-month capacity price estimate is an accurate
15 representation of FPL's estimated capacity price for 2018 and 2022. To the best of
16 my knowledge, FPL has not provided any additional information regarding the basis
17 for the 2015 proxy capacity price or the annual escalation rate of 9.8%.

18
19 Q. WHAT IS THE POTENTIAL IMPACT OF REPLACEMENT CAPACITY
20 COST ON WITNESS HARTMAN'S PROJECTION OF CUSTOMER
21 SAVINGS?

22 A. FPL has assumed a 2018 and a 2022 capacity price of \$3.48/kW-month for capacity
23 purchases of 322 MW and 88 MW, respectively. Depending on when FPL conducts

1 spreadsheets contained in documents provided by Cedar Bay in response to FIPUG
2 POD No.13. Had I used the Net Plant Heat Rate based on “YTD average as of July
3 2014”, like Mr. Herr relied upon, the heat rate would have been 14,608 Btu/kWh,
4 which is even higher than the calendar year actual for 2014. A calendar year average
5 heat rate is a more realistic and reasonable basis for the assumption to be used in a
6 10-year projection than an average based on a partial year (January – July).

7
8 **Q. WHAT IS THE IMPACT ON THE FAIR VALUE OF THE PPA OF MAKING**
9 **THE CORRECTIONS TO THE DCF SPREADSHEET MODEL AND**
10 **UTILIZING A MORE APPROPRIATE HEAT RATE FOR PURPOSES OF**
11 **PROJECTING FUEL COSTS FOR CEDAR BAY?**

12 A. Taking into account the adjustments made with respect to valuation deficiency 1,
13 reflecting the corrections and utilizing a higher, more appropriate heat rate for
14 purposes of projecting fuel costs for Cedar Bay would further reduce the Fair Value
15 of the PPA by approximately \$35 million.

16
17 **VALUATION DEFICIENCY 3:**

18 **COAL PRICES SHOULD REFLECT ACTUAL SUPPLY SOURCES**

19 **Q. WHAT COAL PRICE DID FPL WITNESS HERR USE IN THE DCF MODEL**
20 **TO DETERMINE ESTIMATED ENERGY REVENUES FROM CEDAR BAY**
21 **ELECTRIC SALES UNDER THE PPA?**

22 A. FPL Witness Herr used a forecast [REDACTED] ^A

23 [REDACTED] ^B coal prices.

1 dispatch pricing for FPL) should be utilized. Given that the coal consumed at St.
2 Johns River Power Park is not sourced from the CAPP coal basin, Mr. Herr should
3 have used the contractual basis for the price of coal in estimating energy revenues
4 under the PPA (i.e., the St. Johns River coal price forecast).

5
6 **Q. HOW DO THOSE ST. JOHNS COAL PRICES COMPARE TO THE CAPP**
7 **COAL PRICES ASSUMED BY MR. HERR?**

8 A. Over the 2015-2024 period, the St. Johns River coal price forecast utilized by Witness
9 Hartman is approximately 9% below the ^A [REDACTED] prices that Witness Herr utilized.
10 Given that the sources for coal delivered to the St. Johns River Power Plant are from
11 the lower cost Illinois basin and Columbia, I would expect the St. Johns coal price
12 forecast to be lower than the ^B [REDACTED] forecast. However, as explained in the
13 accompanying testimony of OPC Witness Christopher Dawson, even this St. Johns
14 coal price forecast may be too high.

15
16 **Q. WHAT COAL PRICE DID FPL WITNESS HERR USE IN THE DCF MODEL**
17 **TO DETERMINE THE ESTIMATED COST TO PRODUCE ELECTRICITY**
18 **AND STEAM AT CEDAR BAY?**

19 A. FPL Witness Herr used the same forecast ^C [REDACTED]
20 ^D [REDACTED] coal prices.

1 **Q. IS CEDAR BAY PARTY TO A LONG-TERM COAL CONTRACT?**

2 A. Yes. Based on my review of discovery documents, Cedar Bay has a contract with
3 Nally and Hamilton for the long-term supply of coal, which was renegotiated in 2011
4 to provide firm pricing for 100% of Cedar Bay's coal needs through December 2015,
5 which would explain why Cedar Bay's coal inventory costs are higher than market
6 prices for [REDACTED]^A coal.

7

8 **Q. WHAT ARE THE PROSPECTS FOR CEDAR BAY TO RENEGOTIATE ITS**
9 **COAL CONTRACT WITH NALLY AND HAMILTON?**

10 A. As I understand it, there is a price re-opener in the coal contract with Nally and
11 Hamilton that is currently under discussion, and Cedar Bay has already solicited other
12 proposals for the supply of coal.

13

14 **Q. BASED ON THE INFORMATION YOU HAVE PROVIDED ABOVE, WHAT**
15 **DO YOU BELIEVE ARE THE APPROPRIATE FUEL COSTS TO BE USED TO**
16 **DETERMINE FORECASTED CEDAR BAY ENERGY REVENUES UNDER**
17 **THE PPA AND FUEL COSTS THAT WOULD ACTUALLY BE INCURRED**
18 **AT CEDAR BAY?**

19 A. For forecasted energy revenues under the PPA, the appropriate coal price forecast
20 would be the forecast utilized by FPL Witness Hartman, as shown in either the
21 column labeled St Johns \$/MMBtu or the column labeled Cedar Bay \$/MMBtu on

1 discovery document CB-15-009489, in order to reflect the continued ability of St.
2 Johns River Power Park to accept lower cost Colombian coal.

3 The 2015 delivered fuel cost used in the determination of Cedar Bay fuel costs
4 should be increased to \$116.49/ton (from \$88.20/ton) which, assuming a heat content
5 of 24.47 MMBtu/ton, would yield a coal cost of \$4.76/MMBtu for 2015. Although
6 the 2016 assumed ^A [REDACTED] delivered coal cost of ^B [REDACTED] would represent a ^C [REDACTED]
7 reduction in fuel costs from Cedar Bay's 2015 contract prices of \$116.49/ton, the
8 reduction seems reasonable, based on (i) current CAPP spot prices, and (ii) taking
9 into account the price-reopener provisions in Cedar Bay's long-term coal contracts
10 that are now being negotiated for deliveries starting in 2016.

11
12 **Q. WHAT IS THE IMPACT ON THE FAIR VALUE OF THE PPA OF MAKING**
13 **THESE CHANGES TO THE FUEL PRICE ASSUMPTIONS FOR BOTH ST.**
14 **JOHNS RIVER POWER PARK AND CEDAR BAY?**

15 **A.** Taking into account the adjustments previously made with respect to valuation
16 deficiencies 1 and 2, making these changes to the fuel prices would further reduce the
17 Fair Value of the PPA by approximately \$21 million.

18
19 **VALUATION DEFICIENCY 4:**

20 **PRESENT VALUE DISCOUNT RATE IS TOO LOW**

21 **Q. PLEASE GENERALLY DESCRIBE HOW FPL WITNESS HERR ARRIVED**
22 **AT THE PRESENT VALUE DISCOUNT RATE USED IN THE DCF**
23 **VALUATION OF THE PPA.**

1 A. FPL Witness Herr used a present value discount rate of 7% based on the weighted
2 average cost of capital (“WACC”) that he deemed appropriate for valuing the PPA.
3 Use of the WACC as the basis for discounting cash flows is an industry accepted
4 approach used in valuing assets and is arrived at based on an estimated cost of debt
5 and an estimated cost of equity, weighted by the assumed capital structure of the
6 target market participant and their risk profile. Mr. Herr appears to have assumed a
7 capital structure of ^A [REDACTED] debt with an after-tax debt rate of ^B [REDACTED], and ^C [REDACTED] equity with
8 an assumed rate of return on common equity of ^D [REDACTED]. When combined, the WACC
9 is equal to 7%, rounded to the nearest 0.5%.

10
11 **Q. WHAT HAS CAUSED YOU TO QUESTION THE DISCOUNT RATE**
12 **UTILIZED BY FPL WITNESS HERR IN THE DCF ANALYSIS OF THE**
13 **VALUE OF THE PPA?**

14 A. The discount rate chosen for the DCF analysis is arguably the single most important
15 assumption to be made, and variations in the rate can change the value of an asset
16 considerably. Also, the discount rate assumption is typically the most difficult to pin
17 down, given that it is theoretical in nature.

18
19 **Q. WHAT IS THE BASIS FOR MR. HERR’S INPUTS TO THE WACC?**

20 A. FPL Witness Herr (on page 55 of 60 of Exhibit DH-3 to his testimony) appears to
21 draw a sharp distinction between the capital structures of representative market
22 participants that would reflect the relative risk of the investment. He claims to have

1 concluded that an appropriate capital structure to use in valuing a merchant
2 generation asset without a long-term contract (e.g., a PPA) should be [REDACTED]^A debt and
3 [REDACTED]^B equity, and that the appropriate capital structure to be used for “contracted”
4 generation (e.g., with a PPA) would be [REDACTED]^C debt and [REDACTED]^D equity. This rather wide
5 differential in assumed capital structure, combined with the associated variations in
6 the assumed cost of debt and rate of return on equity assumed for each of the
7 respective risk profiles, results in a significant range of discretion for selection of a
8 WACC (or discount rate). Mr. Herr says he estimated the cost of debt and the cost of
9 equity based on the Capital Asset Pricing Model (“CAPM”). He apparently assumed
10 debt rates based on [REDACTED]^E rated industrial bonds and [REDACTED]^F betas [REDACTED]^G
11 [REDACTED]^H for selected independent power producers as inputs to the
12 CAPM. The WACC results range from 7% (for generation with a PPA contract) to
13 11% (for generation without a PPA, or merchant generation).

14
15 **Q. SO, ALTHOUGH MR. HERR COMPUTED TWO VERY DIFFERENT**
16 **RATES, HE CHOSE TO USE THE 7% LOWER RISK PROFILE WACC FOR**
17 **PURPOSES OF ESTIMATING THE FAIR VALUE FOR THE PPA?**

18 **A. Yes.**

19
20 **Q. WHAT OTHER DISCOVERY DOCUMENTS DID YOU REVIEW THAT**
21 **GAVE YOU CAUSE TO QUESTION THE DISCOUNT RATE THAT FPL**
22 **WITNESS HERR CHOSE TO REFLECT IN THE FAIR VALUE OF THE**
23 **PPA?**

1 have concluded that a 7% discount rate was appropriate for this docket in determining
2 the current Fair Value of the PPA, while just 2 years ago, Mr. Herr concluded that a
3 13% discount rate was appropriate in determining the same Fair Value of the same
4 Cedar Bay PPA. To give one a sense for the impacts of such a different discount rate,
5 all else the same (i.e., putting aside all of the other valuation deficiencies), by
6 reflecting the 13% discount rate in Mr. Herr's current DCF analysis in place of the
7 7% discount rate, the \$520 million Fair Value would be reduced to \$370 million,
8 representing a reduction of about 30%.

9
10 **Q. WERE YOU ABLE TO COMPARE THE BASIS FOR THE 13% DISCOUNT**
11 **RATE REFLECTED IN THE 2013 DCF REPORT TO THE 7% UTILIZED IN**
12 **MR. HERR'S CURRENT DCF ANALYSIS?**

13 A. Yes.

14
15 **Q. PLEASE ELABORATE.**

16 A. It appears that for purposes of the 2013 DCF Report, although Mr. Herr used the
17 same analytical approach in arriving at a discount rate (i.e., the WACC approach used
18 to arrive at 7%), he reflected significantly different capital structure assumptions.
19 More specifically, he appears to have assumed a ^A [REDACTED] debt ^B [REDACTED] equity capital
20 structure in arriving at the 13% WACC. The after-tax debt cost appears to be the
21 same as in the current WACC calculation ^C [REDACTED], both reflecting a higher credit
22 quality debt rating, in recognition of the presence of a long-term PPA with a more

1 secure revenue stream, as compared to a merchant generator selling into the market.
2 However, Mr. Herr's cost of equity component of the WACC was ^A [REDACTED] in the 2013
3 DCF Report (as compared to the ^B [REDACTED] reflected in his current WACC calculation),
4 also contributing to the higher WACC.
5

6 **Q. RECOGNIZING THAT MR. HERR'S FAIR VALUE ESTIMATIONS,**
7 **PERFORMED LESS THAN TWO YEARS APART, UTILIZED VERY**
8 **DIFFERENT DISCOUNT RATES, DO YOU HAVE ANY OPINIONS AS TO**
9 **WHY THIS MIGHT BE?**

10 A. Although I do not have a factual basis for the vastly different discount rates utilized, I
11 know of no structural reasons, be it market driven or contractual (with respect to the
12 PPA), for the different approach Mr. Herr has now taken in this docket. I also have
13 no basis for believing that Mr. Herr had any motivation to minimize the Fair Value of
14 the PPA for Cogentrix's accounting purposes in 2013. However, with respect to the
15 current engagement with FPL, certainly utilizing a lower discount rate would increase
16 the Fair Value of the PPA determined in March 2015 to a level that matches the
17 purchase price of \$520 million that had already been agreed upon by FPL and CBAS
18 as of August 2014. Assuming FPL were to receive the Commission's approval for
19 the proposed transaction, which is essentially to recover from retail customer electric
20 rates the entire Fair Value of the PPA through amortization of a regulatory asset, once
21 the PPA was terminated, plus a return on the unamortized regulatory asset, FPL
22 would clearly be interested in the highest Fair Value that could be justified, as long as
23 they could demonstrate to the Commission that customers rates would be lower on a

1 Operational risks include risk of mechanical failure or weather-related
2 disruption that would make the facility inoperable for an extended period of time,
3 significantly reducing the Capacity Payments, and possibly eliminating them for
4 some period. In addition, to the extent coal costs under the Cedar Bay PPA were to
5 be more competitive with natural gas generation, FPL may very likely dispatch Cedar
6 Bay significantly more than at the assumed ^A [REDACTED] capacity factor. Given that Cedar
7 Bay's operating margins are negatively affected by increased dispatch by FPL, an
8 increase in natural gas prices would present additional operating margin risk to a
9 potential purchaser of Cedar Bay.

10 Contractual risks include the possibility of losing Qualified Facility status or
11 other failure to meet a contractual term, causing the PPA to be terminated before the
12 end of the contract life, perhaps due to the steam host going out of business.

13 With respect to regulatory risks, the possibility exists that the Commission
14 could find that the payments from FPL to Cedar Bay are uneconomic and should not
15 be recovered, effectively triggering the "regulatory out" clause found in the PPA at
16 Section 18.4 and causing FPL to be relieved of its payment obligations under the
17 PPA. The fact that the PPA capacity payments are so much greater than FPL's
18 current avoided costs should give cause for concern. However, this risk is mitigated
19 by the fact that, to my knowledge, the Commission has yet to deny recovery of a PPA
20 payment once authorized. Lastly, federal legislation that would impose carbon
21 emission costs on the output of the facility or otherwise require/force the premature
22 retirement of the Cedar Bay Facility represent a risk as well.

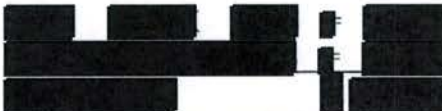


1 Q. WHAT IS YOUR RECOMMENDATION AS TO THE APPROPRIATE BASIS
2 FOR THE DISCOUNT RATE TO BE UTILIZED IN FPL WITNESS HERR'S
3 ESTIMATED FAIR VALUE OF THE PPA?

4 A. Given the current risks associated with the Cedar Bay facility, as outlined above, I
5 recommend a blending of the two approaches to arrive at an appropriate discount rate
6 to be used in estimating the Fair Value of the PPA. More specifically, I would reflect
7 the ^A debt ^B equity capital structure assumed for the 2013 DCF Report, but
8 utilize Mr. Herr's currently estimated (i) after-tax cost of debt, based on an entity with
9 a credit quality rating of ^C and (ii) a ^D cost of equity, which is
10 consistent with Mr. Herr's risk profile based on today's market environment, per Mr.
11 Herr's estimation.

12
13 Q. BASED ON THAT APPROACH, WHAT DISCOUNT RATE WOULD BE
14 REFLECTED IN THE FAIR VALUE OF THE PPA, AS OF AUGUST 30,
15 2015?

16 A. The calculated WACC, and discount rate that would be reflected would be 10.0%.

17 That is, the WACC formula would be populated with the following values:

18 
19 
20 
21 Total WACC (rounded) = 10.0%

1 Q. WHAT IS THE IMPACT ON THE FAIR VALUE OF THE PPA OF
2 CHANGING THE PRESENT VALUE DISCOUNT RATE FROM 7% TO
3 10%?

4 A. Taking into account the adjustments previously made with respect to issues 1, 2 and
5 3, and without rounding to the nearest \$10 million, changing the present value
6 discount rate from 7% to 10% would further reduce the Fair Value of the PPA by
7 approximately \$72 million.

8

9 OTHER CONCERNS WITH THE ESTIMATED FAIR VALUE

10 Q. WITH RESPECT TO THE CAPACITY FACTOR ASSUMPTION
11 DIFFERENCES YOU MENTIONED EARLIER, HOW DIFFERENT WERE
12 THE ASSUMED CAPACITY FACTORS FOR CEDAR BAY IN THE 2013
13 VALUATION, AS COMPARED TO MR. HERR'S CURRENT VALUATION
14 MODEL?

15 A. Capacity factors in the 2013 valuation model averaged approximately ^A [REDACTED] over the
16 13-year then-remaining life of the PPA, while the current PPA valuation model
17 assumes a static ^B [REDACTED] over the remainder of the PPA term.

18

19 Q. WHAT IS THE SIGNIFICANCE OF THE DIFFERENT CAPACITY FACTOR
20 ASSUMPTIONS?

1 A. Given that the fuel expense to operate the Cedar Bay facility is not covered by the
2 energy and steam revenues received, the greater the capacity factor assumed, the
3 lower the Fair Value of the PPA.

4

5 **Q. WHAT ARE THE PROSPECTS THAT TWO YEARS FROM NOW, FPL**
6 **WOULD CALL ON CEDAR BAY TO BE DISPATCHED MORE OFTEN AND**
7 **THE CAPACITY FACTORS WOULD RETURN TO THE [REDACTED]^A LEVELS?**

8 A. With potential natural gas price volatility, as evidenced by history, and the ability of
9 St. Johns River Power Park to source low cost coal that is barged in from Columbia,
10 there is a distinct possibility that the energy strike price on the PPA will be attractive
11 enough for FPL to dispatch Cedar Bay more often, approaching the [REDACTED]^B capacity
12 factor levels.

13

14 **Q. SO, WHAT POINT ARE YOU MAKING?**

15 A. My point is that, if the 10-year capacity factor assumptions can change from
16 averaging [REDACTED]^C to only [REDACTED]^D in less than a two-year timeframe (April 2013 to March
17 2015), there is significant uncertainty surrounding the assumed capacity factors at
18 Cedar Bay. To the extent those capacity factors increase, the Fair Value of the PPA
19 will be considerably affected.

1 Q. WHAT WOULD BE THE IMPACT ON THE FAIR VALUE OF THE PPA IF
2 MR. HERR WERE TO HAVE ASSUMED CAPACITY FACTORS OF [REDACTED]^A AS
3 COMPARED TO [REDACTED]^B?

4 A. All else the same, and after making the corrections and adjustments associated with
5 valuation deficiency 2 and 3 related to heat rates and fuel costs, changing the assumed
6 capacity factors from [REDACTED]^C to [REDACTED]^D in all remaining years of the PPA would reduce the
7 Fair Value by \$70 million.

8
9 Q. ARE YOU SUGGESTING THAT THE ASSUMED [REDACTED]^E CAPACITY FACTOR
10 IS TOO LOW, AND SHOULD BE INCREASED FOR PURPOSES OF THE
11 PPA VALUATION?

12 A. No, I am not. Rather, I point this out to illustrate the uncertainty relative to the
13 projected dispatch of Cedar Bay by FPL over the remaining PPA life, and the
14 potentially significant impacts that assumed capacity factors have on the Fair Value
15 of this PPA. This uncertainty further supports my recommendation of using a higher
16 discount rate in the DCF model.

17

18

SUMMARY

19 Q. WHAT IS THE COMBINED IMPACT ON THE FAIR VALUE OF THE PPA
20 OF ALL FOUR OF THE DEFICIENCIES THAT YOU HAVE IDENTIFIED
21 ARE NECESSARY AS A RESULT OF YOUR REVIEW OF THE DCF
22 MODELS UTILIZED BY FPL WITNESS HERR?

EXHIBIT C

COMPANY: Florida Power & Light Company
TITLE: Request for Confidential Classification of Testimony filed by the Office of Public Counsel
DOCKET TITLE: In re: Florida Power & Light Company's Petition for Approval of Arrangement To Mitigate Impact of Unfavorable Cedar Bay Power Purchase Obligation
DATE: June 29, 2015

Description	Page No.	Conf. Y/N	Col. No./ Line No.	Florida Statute 366.093(3) Subsection	Affiant
OPC / Direct Testimony and Exhibits of Christopher C. Dawson – Purchase Proxy Price and Capacity Charges	11	Y	Lns. 6A, 6B, 12C, 12D	(d), (e)	T. Hartman
OPC / Direct Testimony and Exhibits of Gary D. Brunault – Forecast used for Coal Prices	14	Y	Lns. 22A, 23B	(d), (e)	D. Herr
OPC / Direct Testimony and Exhibits of Gary D. Brunault – Forecast used for Coal Prices	16	Y	Lns. 9A, 12B, 19C, 20D	(d), (e)	D. Herr
OPC / Direct Testimony and Exhibits of Gary D. Brunault – Forecast used for Coal Prices	18	Y	Lns. 6A	(d), (e)	D. Herr
OPC / Direct Testimony and Exhibits of Gary D. Brunault – Forecast used for Coal Prices	19	Y	Line 6A, 6B, 6C	(d), (e)	D. Herr
OPC / Direct Testimony and Exhibits of Gary D. Brunault – Capital Structure	20	Y	Lns. 7A, 7B, 7C, 8D	(d), (e)	D. Herr
OPC / Direct Testimony and Exhibits of Gary D. Brunault – Capital Structure and Debt Rate Assumptions	21	Y	Lns. 2A, 3B, 4C, 4D, 10E, 10F, 10G, 11H	(d), (e)	D. Herr
OPC / Direct Testimony and Exhibits of Gary D. Brunault – Capital Structure	24	Y	Lns. 19A, 19B, 21C	(d), (e)	D. Herr

Description	Page No.	Conf. Y/N	Col. No./ Line No.	Florida Statute 366.093(3) Subsection	Affiant
OPC / Direct Testimony and Exhibits of Gary D. Brunault – Weighted Average Cost of Capital (“WACC”)	25	Y	Lns 2A, 3B	(d), (e)	D. Herr
OPC / Direct Testimony and Exhibits of Gary D. Brunault – Capacity Factor	27	Y	Line 6A	(d), (e)	D. Herr
OPC / Direct Testimony and Exhibits of Gary D. Brunault – Capital Structure, Credit Quality Rating and WACC	28	Y	Lns. 7A, 7B, 9C, 9D, 18, 19, 20	(d), (e)	D. Herr
OPC / Direct Testimony and Exhibits of Gary D. Brunault – Capacity Factors	29	Y	Lns. 15A, 17B	(d), (e)	D. Herr
OPC / Direct Testimony and Exhibits of Gary D. Brunault – Capacity Factors	30	Y	Lns. 7A, 11B, 16C, 16D	(d), (e)	D. Herr
OPC / Direct Testimony and Exhibits of Gary D. Brunault – Capacity Factors	31	Y	Lns. 2A, 3B, 6C, 6D, 9E	(d), (e)	D. Herr

EXHIBIT D

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In RE: Petition for approval of arrangement to mitigate impact of unfavorable Cedar Bay power purchase obligation, by Florida Power & Light Company.

Docket No: 150075-EI

STATE OF FLORIDA)
COUNTY OF PALM BEACH)

AFFIDAVIT OF THOMAS L. HARTMAN

BEFORE ME, the undersigned authority, personally appeared Thomas L. Hartman who, being first duly sworn, deposes and says:

1. My name is Thomas L. Hartman. I am currently employed by Florida Power & Light Company ("FPL") as Director, Business Development in Energy Marketing and Trading. I have personal knowledge of the matters stated in this affidavit.

2. I have reviewed the documents and information included in Exhibit A to FPL's Request for Confidential Classification. The documents or materials that I have reviewed and which are asserted by FPL to be proprietary confidential business information relate to competitive interests. Specifically, the document contains purchase proxy price and capacity charges. The disclosure of this information would disadvantage FPL customers and would place FPL at a competitive disadvantage when coupled with other information that is publicly available. To the best of my knowledge, FPL has maintained the confidentiality of these documents and materials.

3. Consistent with the provisions of the Florida Administrative Code, such materials should remain confidential for a period of eighteen (18) months. In addition, they should be returned to FPL as soon as the information is no longer necessary for the Commission to conduct its business so that FPL can continue to maintain the confidentiality of these documents.

4. Affiant says nothing further.

[Handwritten signature of Thomas L. Hartman]

Thomas L. Hartman

SWORN TO AND SUBSCRIBED before me this 29 day of June 2015, by Thomas L. Hartman, who is personally known to me or who has produced (type of identification) as identification and who did take an oath.

[Handwritten signature of Notary Public, State of Florida]

Notary Public, State of Florida

My Commission Expires:



EXHIBIT D

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Florida Power & Light Company's
Petition for Approval of Arrangement To
Mitigate Impact of Unfavorable Cedar Bay
Power Purchase Obligation

STATE OF PHILADELPHIA)
)
COUNTY OF PHILADELPHIA)

AFFIDAVIT OF DAVID HERR

BEFORE ME, the undersigned authority, personally appeared David Herr who, being first duly sworn, deposes and says:

1. My name is David Herr. I am currently employed by Duff & Phelps LLC as Managing Director, the Philadelphia City Leader, and the Energy and Mining Industry leader. I have personal knowledge of the matters stated in this affidavit.

2. I have reviewed and have personal knowledge about the documents included in Exhibit A to FPL's Request for Confidential Classification for which I am identified as the affiant. The information designated as confidential consists of or relates to the valuation of the tangible and intangible assets of CBAS Power, Inc. which was performed by Duff & Phelps, Inc. The details of this highly detailed valuation report identify with specificity the proprietary methodology that Duff & Phelps employs in performing such valuations. Accordingly, public disclosure would impair the competitive businesses of Duff & Phelps and therefore should be treated confidentially. To the best of my knowledge, FPL and Duff & Phelps have maintained the confidentiality of these documents and materials.

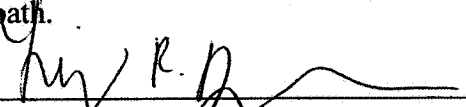
3. Consistent with the provisions of the Florida Administrative Code, such materials should remain confidential for a period of eighteen (18) months. In addition, they should be returned to FPL as soon as the information is no longer necessary for the Commission to conduct its business so that FPL can continue to maintain the confidentiality of these documents,

4. Affiant says nothing further.



David Herr

SWORN TO AND SUBSCRIBED before me this 29th day of June 2015, by David Herr, who is personally known to me or who has produced Driver's license (type of identification) as identification and who did take an oath.



Notary Public, State of Pennsylvania
COMMONWEALTH OF PENNSYLVANIA

My Commission Expires:

