

Collin Roehner

From: Joann Parsons
Sent: Wednesday, July 27, 2016 2:44 PM
To: Commissioner Correspondence
Subject: Response Ltr to JBrow; Docket no. 150171-EI
Attachments: 2016-07-27, Ltr rsp to JBrow.pdf

Good afternoon,

Please place the attached letter in Docket Correspondence, Consumers and Their Representatives, Docket No. 150171-EI.

Thank you.
Joann

STATE OF FLORIDA

JULIE I. BROWN
CHAIRMAN



Capital Circle Office Center
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850
(850) 413-6042

Public Service Commission

July 27, 2016

Mr. Joseph F. Brow
711 Osceola Ave.
Lake Wales, FL 33853

Re: Asset Securitization Charge

Dear Mr. Brow:

Thank you for your letter requesting information concerning Duke Energy Florida's (DEF's) "Asset Securitization Charge." The charge relates to the recovery of the reasonable and prudent costs associated with the retirement of DEF's Crystal River Unit 3 (CR3) nuclear power plant. The costs associated with the retirement of CR3 were the subject of a hearing held in 2011 that included extensive testimony, discovery, and cross-examination. On March 8, 2012, the Commission approved a Settlement Agreement between DEF, the Office of Public Counsel, the Florida Industrial Power Users Group, the Florida Retail Federation, and White Springs Agriculture Chemicals, Inc. d/b/a PCS Phosphate regarding the costs associated with the retirement of CR3. The Settlement Agreement included a \$295 million write-down of the value of CR3 to approximately \$1.3 billion and a 6 percent after-tax carrying charge.

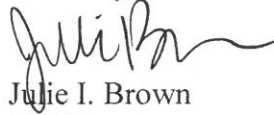
In March 2015, the Florida Legislature passed special legislation authorizing the recovery of the CR3 costs using nuclear asset-recovery bonds. On November 19, 2015, the Commission issued a Financing Order authorizing the imposition and collection of the nuclear asset-recovery charge on all DEF customers taking service over DEF transmission and distribution lines. Section 366.95(4)(b), Florida Statutes, requires the nuclear asset-recovery charge be listed as a separate line item on customer's bills.

In June 2016, the nuclear asset recovery bonds were issued at a record low rate for securitized rate-reduction bonds of 2.72 percent. By replacing the carrying charge of 6 percent with the securitized bond rate of 2.72 percent, DEF customers will save \$684 million on a present value basis over the twenty year recovery period. The combination of the \$295 million write-down of the CR3 asset and the savings of \$684 million on the financing of the CR3 costs will save DEF's customers nearly \$1 billion. As a result of the securitized financing, the initial asset securitization charge was reduced from approximately \$5.00 per month, as contemplated in the Settlement Agreement, to \$2.87 per month.

Mr. Joseph F. Brow
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I hope you find this information helpful and if you have any further questions, please feel free to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Julie Brown", with a long, sweeping horizontal flourish extending to the right.

Julie I. Brown
Chairman

JB/mc

cc: The Honorable Rick Scott, Governor of Florida