

Report

Stanton, Stanton II, Tri-City and St. Lucie Project Participants Meeting

June 21, 2017

10:00 AM

Stanton Project Participants

Fort Pierce
Homestead
Kissimmee
Lake Worth
Starke
Vero Beach

Tri-City Project Participants

Fort Pierce
Key West
Homestead

Stanton II Project Participants

Fort Pierce
Homestead
Key West
Kissimmee
St. Cloud
Starke
Vero Beach

St. Lucie Project Participants

Alachua
Clewiston
Fort Meade
Fort Pierce
Green Cove Springs
Homestead
Jacksonville Beach
Kissimmee
Lake Worth
Leesburg
Moore Haven
New Smyrna Beach
Newberry
Starke
Vero Beach

**Meeting Held 9:00 a.m.
Wednesday, June 21, 2017
Florida Municipal Power Agency
8553 Commodity Circle
Orlando, Florida 32819**



MEMORANDUM

TO: St. Lucie Project Participants, Stanton Project Participants, Stanton II Project Participants, and Tri-City Project Participants

FROM: Jacob Williams

DATE: June 13, 2017

RE: St. Lucie Project, Stanton Project, Stanton II Project, and Tri-City Project Committees Meeting
Wednesday, June 21, 2017 – 9:00 AM

DIAL-IN INFORMATION:

866-411-8247, Access Code 91583#

(If you have trouble connecting via phone please call 321-239-1100)

Presiding – Bill Conrad, Board Chairman

AGENDA

1. Call to Order, Roll Call, Declaration of Quorum
2. Set Agenda (by vote)
3. Consent Agenda – Approval of Minutes – Stanton Project Participants Meeting Held October 16, 2006; Telephonic St. Lucie Project Participants Meetings Held February 21, 2008, December 16, 2009 and December 7, 2012
4. Election of Chairpersons for St. Lucie Project, Stanton Project, Stanton II Project and Tri-City Project Committees (see attached list of Members from each Project) (Bill Conrad)
 - a. St. Lucie Project Committee
 - b. Stanton Project Committee
 - c. Stanton II Project Committee
 - d. Tri-City Project Committee
5. Information Items:
 - a. Update on the Stanton Project, Stanton II Project and Tri-City Project (Frank Gaffney)
 - b. Update on the St. Lucie Project (Jason Wolfe)
6. Adjournment

JW/su

One or more participants in the above referenced public meeting may participate by telephone. At the above location there will be a speaker telephone so that any interested person can attend this public meeting and be fully informed of the discussions taking place either in person or by telephone communication. If anyone chooses to appeal any decision that may be made at this public meeting, such person will need a record of the proceedings and should accordingly ensure that a verbatim record of the proceedings is made, which includes the oral statements and evidence upon which such appeal is based. This public meeting may be continued to a date and time certain, which will be announced at the meeting. Any person requiring a special accommodation to participate in this public meeting because of a disability, should contact FMPA at (407) 355-7767 or 1-(888)-774-7606, at least two (2) business days in advance to make appropriate arrangements.

Call to Order, Roll Call, Declaration of Quorum

**SET AGENDA
BY VOTE**

MINUTES

STANTON PROJECT PARTICIPANTS MEETING
MONDAY, OCTOBER 16, 2006
FLORIDA MUNICIPAL POWER AGENCY
LIBRARY
8553 COMMODITY CIRCLE
ORLANDO, FLORIDA

PARTICIPANTS

PRESENT

Fort Pierce	-	Tom Richards (via teleconference)
Kissimmee	-	Ben Sharma (via teleconference)
Lake Worth	-	David Mulvay (via teleconference)
Starke	-	Ricky Thompson(via teleconference)

PARTICIPANTS

ABSENT

Homestead	-	Gregg Paulson
Vero Beach	-	Pete Lindberg

STAFF PRESENT

Mark Larson, Assistant General Manager & CFO
Michelle Ellis, Power Resources Secretary
Jody Finklea, Assistant General Counsel, Manager of Legal
Affairs (via teleconference)

ITEM 1 - CALL TO ORDER, ROLL CALL, AND DECLARATION OF QUORUM:

FMPA's Mark Larson, Assistant General Manager and CFO called the FMPA Stanton Project Committee Telephonic Meeting to order at 3:05 p.m. on Monday, October 16, 2006 via teleconference. A speaker phone for public attendance and participation was located in the Library at Florida Municipal Power Agency, Orlando, Florida. The roll was taken and a quorum was declared with 4 members present out of a possible 6.

ITEM 2 – ACTION ITEMS:

Item 2a – Nomination and Election of Stanton Project Committee Chairman

MOTION: Mr. Sharma, Kissimmee, nominated Dave Mulvay of Lake Worth as the new Chairman of the Stanton Project Committee. Mr. Richards, Ft. Pierce, seconded the motion. Motion carried (4-0).

Item 3 PARTICIPANTS' COMMENTS:

None

There being no further business the meeting was adjourned at 3:10 PM

Approved on: _____
(date)

RAF/mle

CLERKS DULY NOTIFIED.....February 19, 2008
AGENDA PACKAGES SENT TO MEMBERS.....February 12, 2008

MINUTES
FMPA TELEPHONIC ST. LUCIE PROJECT COMMITTEE MEETING
FEBRUARY 21, 2008
FLORIDA MUNICIPAL POWER AGENCY
BOARD ROOM
ORLANDO, FL

COMMITTEE MEMBERS PRESENT: Fred Hilliard, Fort Meade
Thomas W. Richards, Fort Pierce
Gregg Griffin, Green Cove Springs
Ken Konkol, Homestead
Jacksonville Beach – Tom Reedy has proxy
Larry Mattern, Kissimmee
Dave Mulvay, Lake Worth
Paul Kalv, Leesburg
Tim Beyrle, New Smyrna Beach
Ricky Thompson, Starke

OTHERS PRESENT: Jack Wetzler, Key West
Laurie Klinkenberg, New Smyrna Beach

STAFF PRESENT: Roger Fontes, General Manager & CEO
Mark Larson, Assistant General Manager & CFO
Michelle Ellis, Power Resources Secretary
Sue Utley, Executive Assistant to CEO / Asst. Secretary to Board
Fred Bryant, General Counsel
Tom Reedy, Assistant General Manager, Member & Admin. Services
Steve Ruppel, Contract Compliance Audit Manager
Doug Keegan, Contract Administrator
Jim Arntz, Controller

ITEM 1 - CALL TO ORDER, ROLL CALL AND DECLARATION OF QUORUM

Mark Larson, Assistant General Manager, CFO, and Risk Manager, called the telephonic St. Lucie Project Participants Meeting to order at 8:38a.m. on Thursday, February 21, 2008 in the Board Room, Florida Municipal Power Agency, 8553 Commodity Circle, Orlando, Florida. The roll was taken and a quorum was declared with 9 members present out of a possible 15.

ITEM 2 – ELECTION OF ST. LUCIE PROJECT CHAIRMAN

Ricky Thompson, Starke, nominated Tom Richards, Fort Pierce, as Chairman of the St. Lucie Project. Larry Mattern Kissimmee, seconded the motion. Motion carried 9-0.

ITEM 3 – APPROVAL OF MINUTES—MEETING HELD MARCH 23, 2006

MOTION: Larry Mattern, Kissimmee, moved approval of the Consent Agenda. Ricky Thompson, Starke, seconded the motion. Motion carried 9-0.

ITEM 4 - ACTION ITEMS

None

ITEM 4 - INFORMATION ITEMS

None

ITEM 6 – ADJOURNMENT

There being no further business, the meeting was adjourned at 8:55 a.m.

Approved: _____

/su

CLERKS DULY NOTIFIED.....December 7, 2009
AGENDA PACKAGES SENT TO MEMBERS.....December 11, 2009

MINUTES
FMPA ST. LUCIE PROJECT COMMITTEE MEETING
WEDNESDAY, DECEMBER 16, 2009
FLORIDA MUNICIPAL POWER AGENCY
8553 COMMODITY CIRCLE
ORLANDO, FL

COMMITTEE MEMBERS PRESENT: Kevin McCarthy, Clewiston (via telephone)
Fred Hilliard, Fort Meade
Thomas W. Richards, Fort Pierce
Gregg Griffin, Green Cove Springs (via telephone)
Barbara Quiñones, Homestead (via telephone)
Don Ouchley, Jacksonville Beach (via telephone - joined after roll call)
Larry Mattern, Kissimmee
Rebecca Matthey, Lake Worth
Paul Kalv, Leesburg (via telephone – joined at 1:29 pm)
Bill Conrad, Newberry

OTHERS PRESENT: Vince Ruano, Bushnell
Bill Thiess, Fort Pierce
Joe Hostetler, Kissimmee
David Anderson, Ocala
Matt Brower, Ocala
Nat Singer, Swap Financial
Craig Dunlap, Dunlap & Associates, Inc.
Matt Williams, Bank of America/Merrill Lynch
Jon Eichelberger, Morgan Keegan
Steve Fisher, Regions Bank
Doug Prevett, PNC
Katherine Smith, PNC
Elaine Szeto, PNC

STAFF PRESENT: Nicholas P. Guarriello, General Manager & CEO
Mark Larson, Assistant General Manager & CFO
Michelle Pisarri, Power Resources Secretary II
Sue Utley, Executive Assistant to CEO / Asst. Secretary to Board
Fred Bryant, General Counsel
Jody Lamar Finklea, Assistant General Counsel & Manager of Legal Affairs
Mark McCain, Assistant General Manager, Member Services, Human Resources and Public Relations
Kristi Knight, Risk Analyst III
Pramod Gurshaney, Quantitative Analyst
Ed Nunez, Assistant Treasurer/Debt
Janet Davis, Treasurer

ITEM 1 - CALL TO ORDER, ROLL CALL AND DECLARATION OF QUORUM

Chairman Thomas Richards, Fort Pierce, called the St. Lucie Project Participants Meeting to order at 1:00 p.m. on Wednesday, December 16, 2009 in the Board Room, Florida Municipal Power Agency, 8553 Commodity Circle, Orlando, Florida. The roll was taken and a quorum was declared with 9 members present out of a possible 15.

ITEM 2 – SET AGENDA

MOTION: Fred Hilliard, Fort Meade, moved approval of the Agenda as presented. Gregg Griffin, Green Cove Springs, seconded the motion. Motion carried 9-0.

ITEM 3 – GENERAL MANAGERS COMMENTS

None

ITEM 4 - CONSENT AGENDA

Item 4a – Approval of minutes for meeting held April 11, 2009

MOTION: Larry Mattern, Kissimmee Utility Authority, moved approval of the minutes from April 11, 2009 as presented. Fred Hilliard, Fort Meade, seconded the motion. Motion carried 9-0, Unanimous.

Don Ouchley, Jacksonville Beach, joined via telephone at 1:29 p.m.

ITEM 5 – ACTION ITEMS

Item 5a—Input and Direction for Decision on Bank Commitment Letters

The Committee discussed the bank commitment letters offered by PNC Bank and Regions Bank and funding options.

MOTION: Larry Mattern, Kissimmee, moved approval to move forward with the PNC Bank offer. Bill Conrad, Newberry, seconded the motion. Motion carried 10-0.

ITEM 6 - INFORMATION ITEMS

- a. None

ITEM 7 – ADJOURNMENT

There being no further business, the meeting was adjourned at 2:02 p.m.

Approved: _____

/su

CLERKS DULY NOTIFIED.....December 4, 2012
AGENDA PACKAGES SENT TO MEMBERS..... November 27, 2012

MINUTES
FMPA TELEPHONIC ST. LUCIE PROJECT COMMITTEE MEETING
FRIDAY, DECEMBER 7, 2012
FLORIDA MUNICIPAL POWER AGENCY
8553 COMMODITY CIRCLE
ORLANDO, FL

COMMITTEE MEMBERS Kevin McCarthy, Clewiston
PRESENT VIA TELEPHONE: Thomas Richards, Fort Pierce
Barbara Quinones, Homestead
Roy Trotter, Jacksonville Beach
Larry Mattern, Kissimmee
Clay Lindstrom, Lake Worth
Bill Conrad, Newberry
William Mitchum, New Smyrna Beach

OTHERS PRESENT Vince Ruano, Bushnell
VIA TELEPHONE: David Anderson, Ocala
Matt Brower, Ocala
Bill Thiess, Fort Pierce

STAFF PRESENT: Nicholas P. Guarriello, General Manager & CEO
Mark Larson, Assistant General Manager & CFO
Michelle Pisarri, Power Resources Secretary II
Sue Utley, Executive Assistant to CEO / Asst. Secretary to Board
Fred Bryant, General Counsel
Tom Reedy, Assistant General Manager, Member & Admin. Services
Jody Lamar Finklea, Assistant General Counsel & Manager of Legal Affairs
Mark McCain, Assistant General Manager, Member Services, Human
Resources and Public Relations
Joe McKinney, Operations and Short Term Planning Manager
Michele Jackson, System Planning Manager
Kristi Knight, Risk Analyst III
Pramod Gurshaney, Quantitative Analyst
Sharon Smeenk, Conservation and Renewable Specialist
Ann Beckwith, Conservation and Renewable Specialist
Chris Gowder, Operations Engineer III
Richard Montgomery, Marketing and Fuels Manager

ITEM 1 - CALL TO ORDER, ROLL CALL AND DECLARATION OF QUORUM

Nicholas Guarriello, FMPA, called the St. Lucie Project Participants Meeting to order at 2:23 p.m. on Thursday, December 7, 2012 in the Board Room, Florida Municipal Power Agency, 8553 Commodity Circle, Orlando, Florida. The roll was taken and a quorum was declared with 8 members present out of a possible 15.

ITEM 2 – SET AGENDA BY VOTE

MOTION: Bill Conrad, Newberry, moved approval of the Agenda as presented. Larry Mattern, Kissimmee, seconded the motion. Motion carried 8-0.

ITEM 3 – ELECTION OF ST. LUCIE PROJECT CHAIRMAN

MOTION: Larry Mattern, Kissimmee, nominated Bill Conrad, Newberry, as Chairman. Bill Thiess, Fort Pierce, seconded motion. Motion carried 8-0.

ITEM 4 – ACTION ITEMS

Item 4a—Approval and Recommendation of Amendment #4, the Alternate Cost of Capital for the St. Lucie Nuclear Reliability Exchange Agreement

MOTION: Bill Thiess, Fort Pierce moved approval of the Amendment #4 to the St. Lucie Nuclear Reliability Exchange Agreement. Larry Mattern, Kissimmee, seconded the motion. Motion carried 8-0.

ITEM 5 - INFORMATION ITEMS

Item 5a – Verbal Report on St. Lucie Power Uprate

Jason Wolfe, FMPA, reported on the power up rate as follows:

The first phase uprate to St. Lucie Unit #2 was 36 mW. The FMPA St. Lucie Project's share increased by 3 mW. The second phase of the uprate should increase to 113-119 mW of which the St. Lucie Project's increase would be 10 mW.

ITEM 7 – ADJOURNMENT

There being no further business, the meeting was adjourned at 2:34 p.m.

Approved: _____

/su

ELECTION OF CHAIRPERSONS FOR:

**STANTON PROJECT
STANTON II PROJECT
TRI-CITY PROJECT
ST. LUCIE PROJECT**

Stanton, Tri-City, and Stanton II Projects Update



Florida Municipal Power Agency
Community Power. Statewide Strength.®

Stanton, Tri-City, and Stanton II Project Committees

June 21, 2017

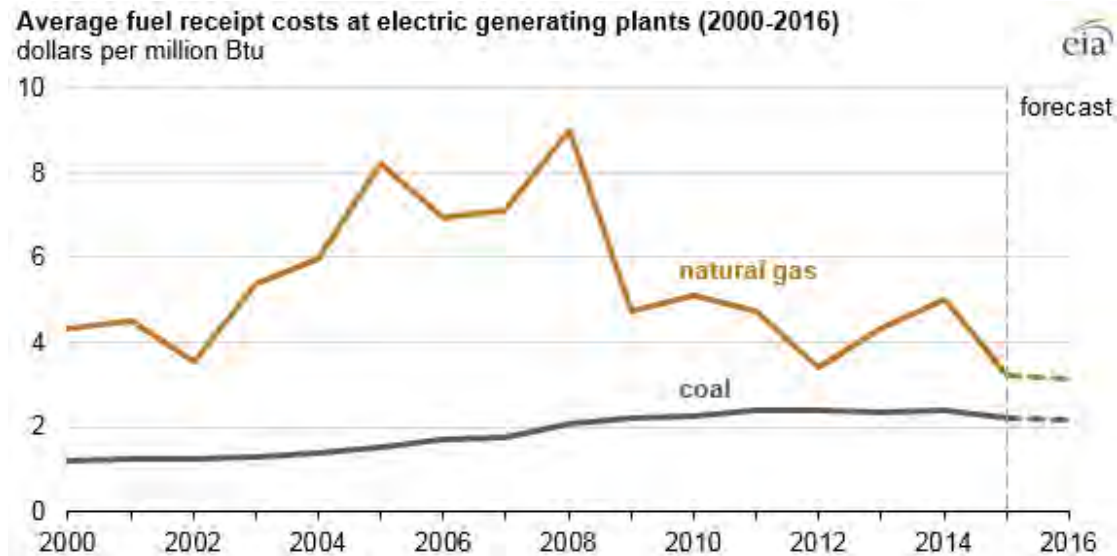
Summary

- Forecast of natural gas prices is essential to view on coal units
 - FMPA's view is depressed gas prices based on NYMEX
 - OUC's view is escalating gas prices based on independent expert forecasts (PIRA, EVA)
- OUC plans on investing \$23 MM in turbine upgrade for Unit 1
- Payback of that investment varies from 3 years to 5+ years depending on view of gas market
- Rail transportation reduction which is 40% of all-in fuel cost is key to competitiveness regardless of gas prices

Stanton Coal has Been a Great Project for FMPA and its Members

- For decades, Stanton has provided economical power to FMPA and its members, fulfilling a base load role from 1987 until about 2012
- Well operated, maintained and reliable plant
- Environmental performance well above industry average

Hydraulic Fracturing and New Combined Cycle Gas Units Changed the Landscape



- Note that average delivered coal prices for the Southeast USA are about 50% higher than the USA average or ~\$3.00/mmbtu
- Efficient Combined Cycles became available in the early 2000's and is about 30% more fuel efficient than coal
- When natural gas prices dropped to within 30% of coal prices, the roles of coal and CC flipped.

Operations and Costs

Two Views of Future Gas Pricing

NYMEX Forward Curve (FMPA)

- FMPA uses NYMEX forward and escalates at implied CAGR of NYMEX curve
- Forecasts staying at \$3/MMBtu for some time.
- Drivers: continued reduction in finding cost with fracking
- Gas continues to be a by-product of oil production
- Predicts coal Capacity Factors in the 30% range or less

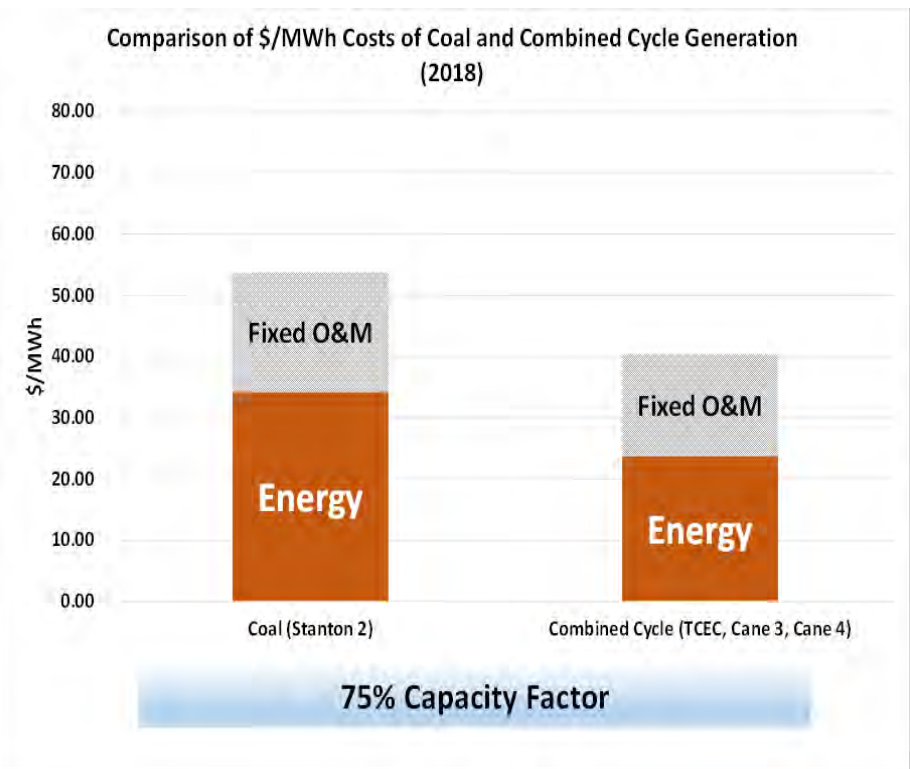
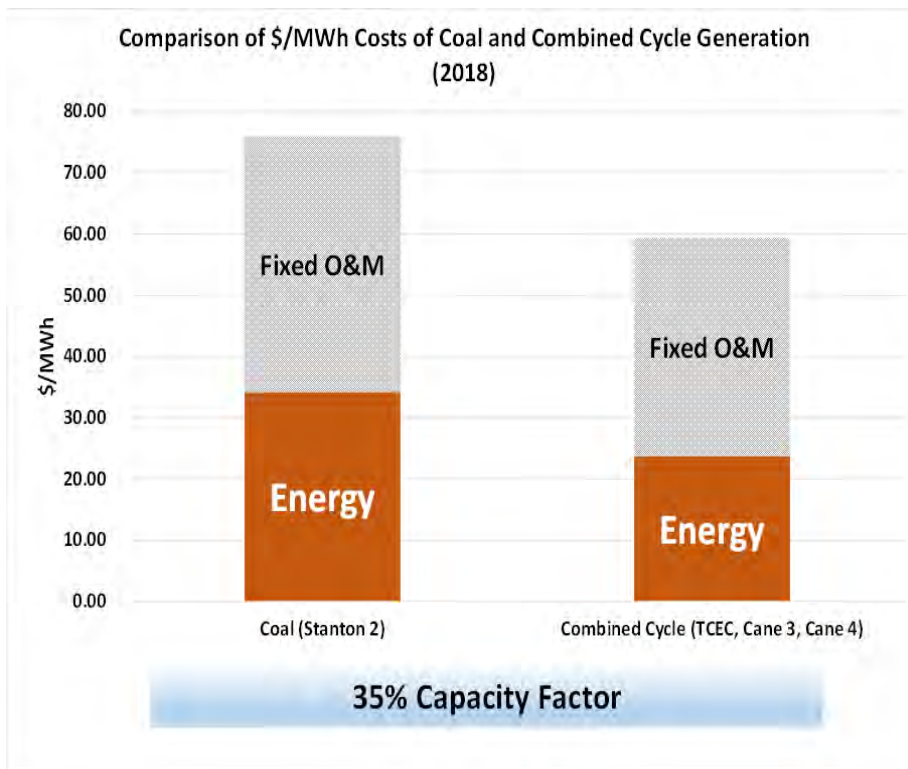
Independent 3rd Party Experts (OUC)

- PIRA, EVA forecasts
- OUC blends NYMEX near term with these forecasts long term
- Projects gas prices escalating into the \$4.00/MMBtu range in a couple of years
- Driver: increased demand from LNG exports - 10% of U.S. production
- Predicts coal capacity factors >50%

Both methods are prudent

With Low Gas Prices, Coal Fills an Intermediate Unit Role in the Pool

- Higher fixed O&M costs of coal units cause coal units to struggle in this role

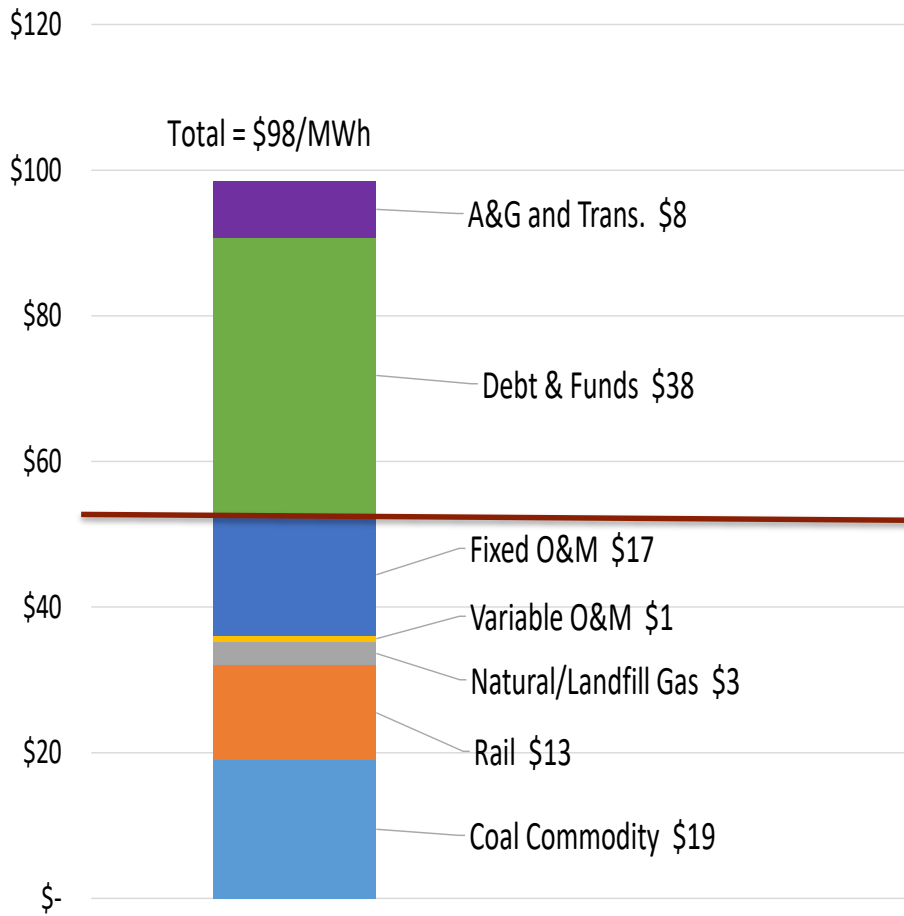


Coal and Gas Pricing Will Be Primary Drivers of Overall Project Rates (\$/MWh)

- Higher capacity factor spreads fixed O&M over more MWh's
- Reduced operating costs key to success regardless of gas prices but even more important with low gas prices
- Coal commodity pricing unlikely to decline much
 - Producers have little margin remaining after pricing low to survive bankruptcy
 - OUC has taken a short-term view on coal to take advantage of spot market opportunities
- Rail rates are approx. 40% of delivered coal costs
 - Reduction capability especially if tied to gas prices
 - 30% reduction in rail costs = \$4/MWh cost reduction

Rail Cost Reduction is Biggest Value Creation Opportunity at Stanton

Stanton II Project 2018 Budgeted Costs (\$/MWh)



- Limited ability to reduce variable & fixed O&M costs
- Reducing rail costs is key to increasing capacity factor

OUC Has Almost \$100M in Capital Projects Planned During Next Five Years

Significant Stanton Planned Capital Expenses

	Timing	Total Estimated Cost (\$M)
Stanton 1		
Turbine Upgrade	2018-19	\$23.3
DCS Upgrades	2019	\$9.0
Stanton 2		
Spare Generator Rotor [1]	2017	\$3.5
Chimney Liner Upgrade	2018-19	\$2.7
SCR Catalyst	2020-21	\$1.3
DCS Controls Upgrade	2022	\$4.0
Common Facilities [2]		
Landfill Horizontal Expansion	2019-21	\$25.0
Landfill Improvements	2018-22	\$5.1

[1] FY 2017 expense, but was not included in FY 2017 capital plan

[2] Common Facilities costs split 50%/50% between Stanton 1 and 2

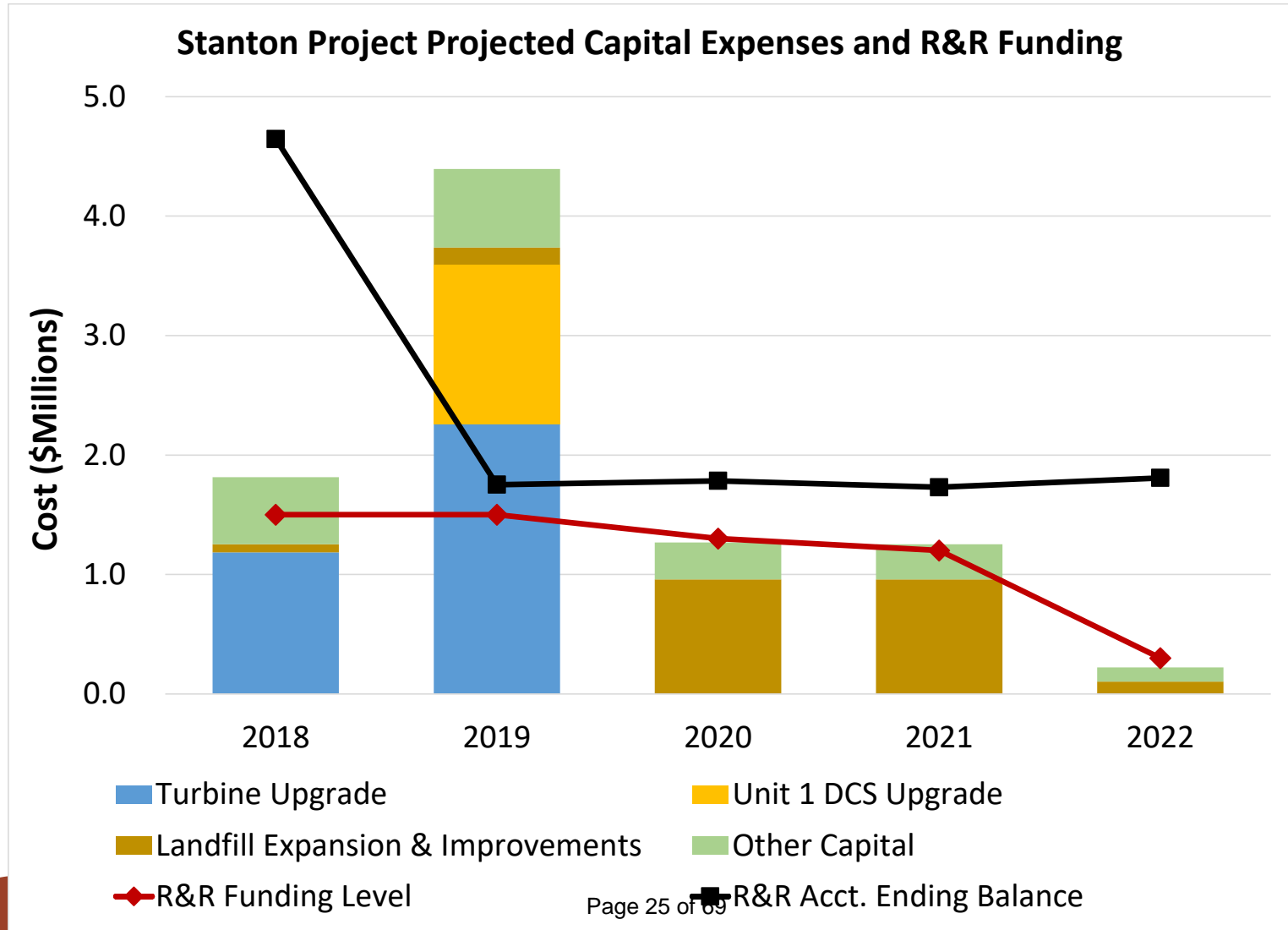
OUC's Capital Plan Indicates Continued Operation, Higher Utilization of Stanton 1

- OUC's debt for Stanton Unit 1 is scheduled through 2027 compared to FMPA's debt for Stanton and Tri-City Projects through 2019
- 5 year capital plan for Stanton 1 totals \$60M (including Common Facilities)
 - Stanton & Tri-City Projects share = \$12M
- Primary capital project is \$23M turbine upgrade
 - OUC assumes a 55% capacity factor in project justification with a 3 year pay back based on fuel cost and maintenance cost savings
 - FMPA staff projects less than 30% capacity factor, with a 5 year payback (by 2024)

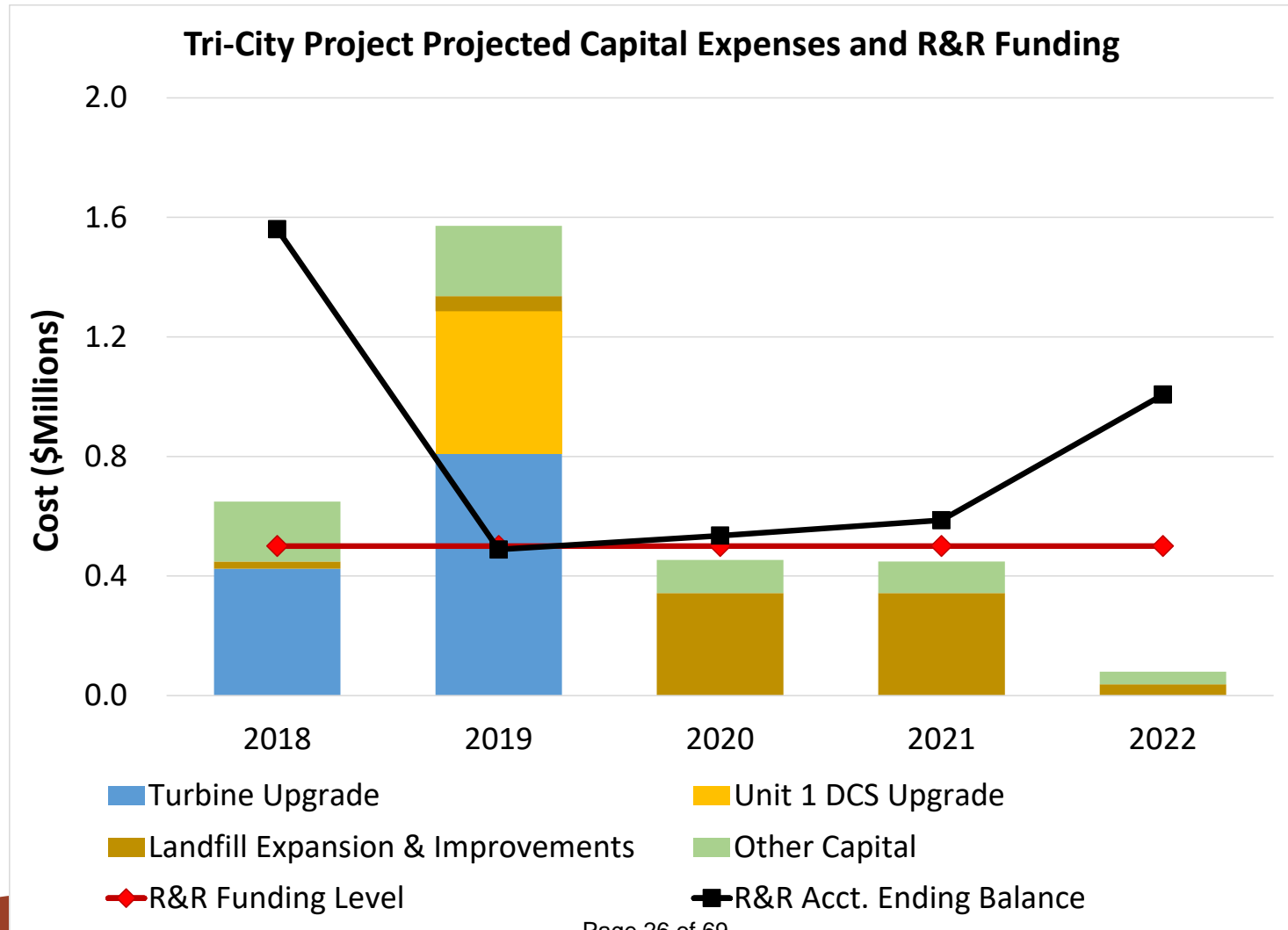
OUC Resource Planning Input

- OUC compared investment in Stanton 1 (turbine upgrade) with replacing Stanton 1 with new CC
- Cost of new pipeline capacity for a new CC unit could exceed new CC debt service
- OUC believes investment in Stanton 1 is more cost effective than investing in a new CC at this time

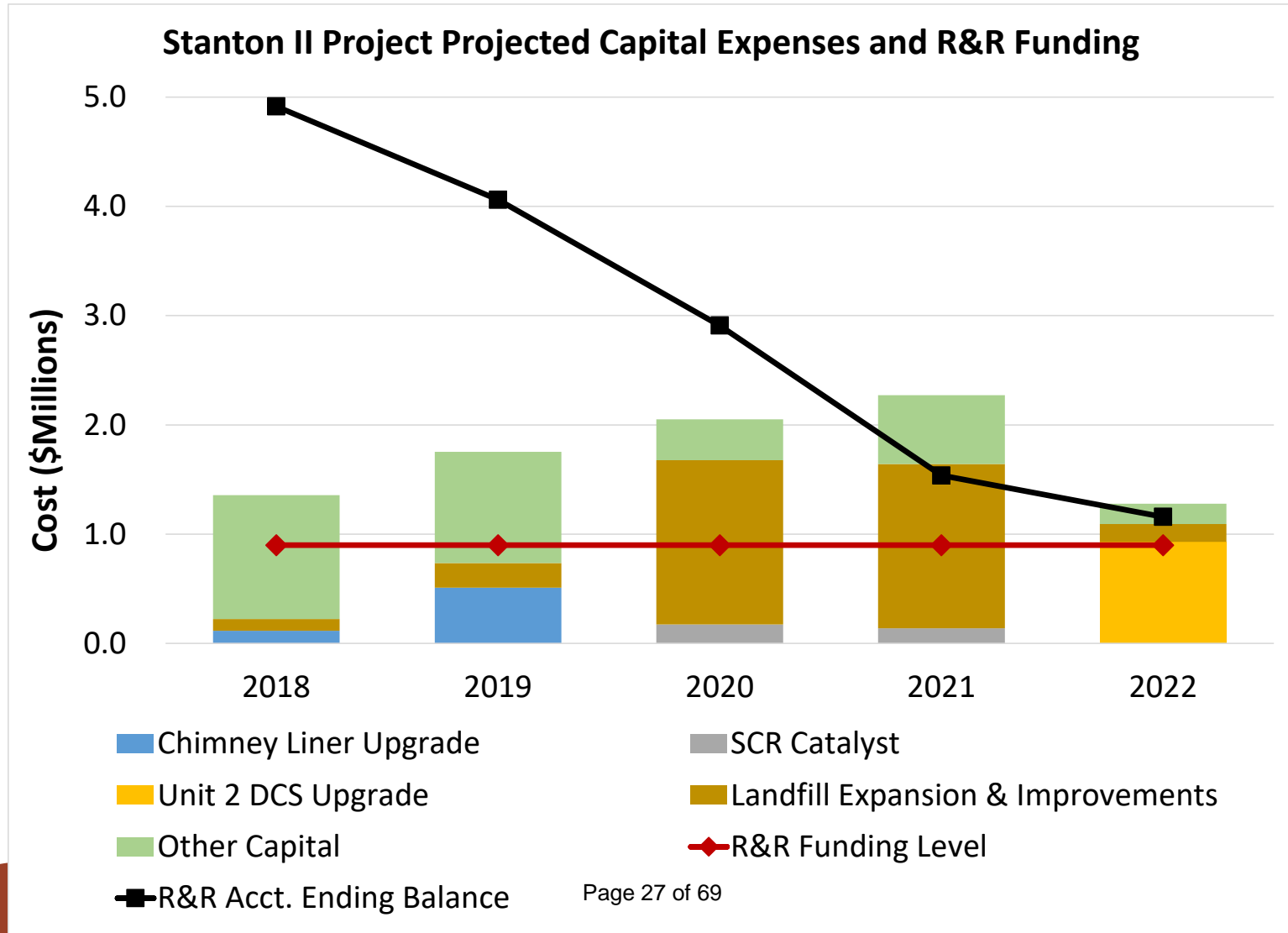
Total Stanton Project Capital of ≈\$9M Funded Through Rates (R&R)



Total Tri-City Project Capital of ≈\$3M Funded Through Rates (R&R)



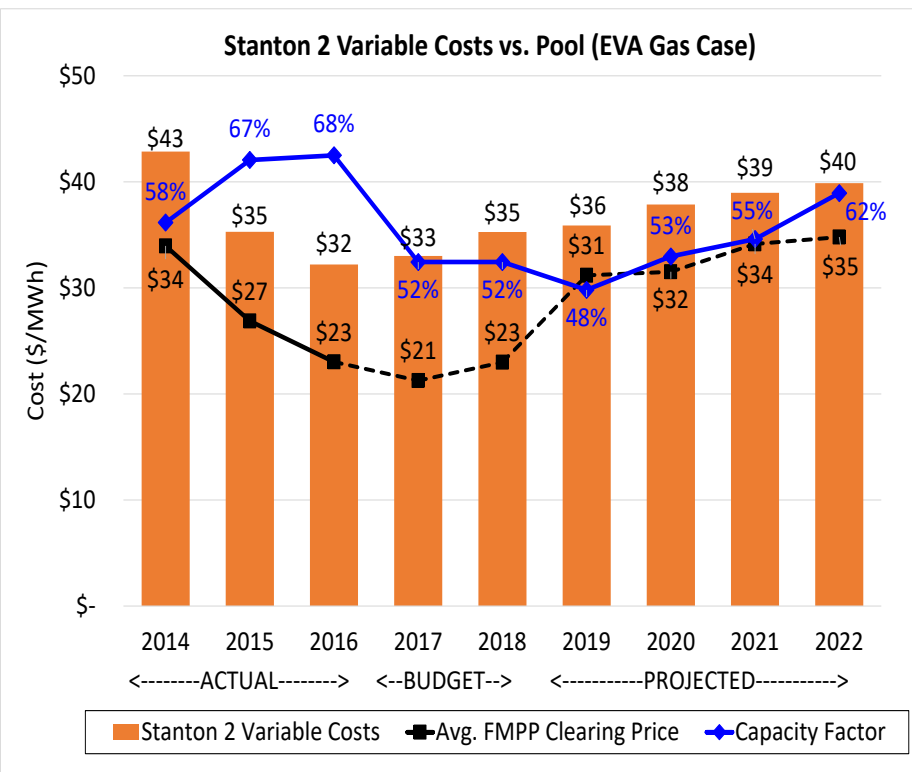
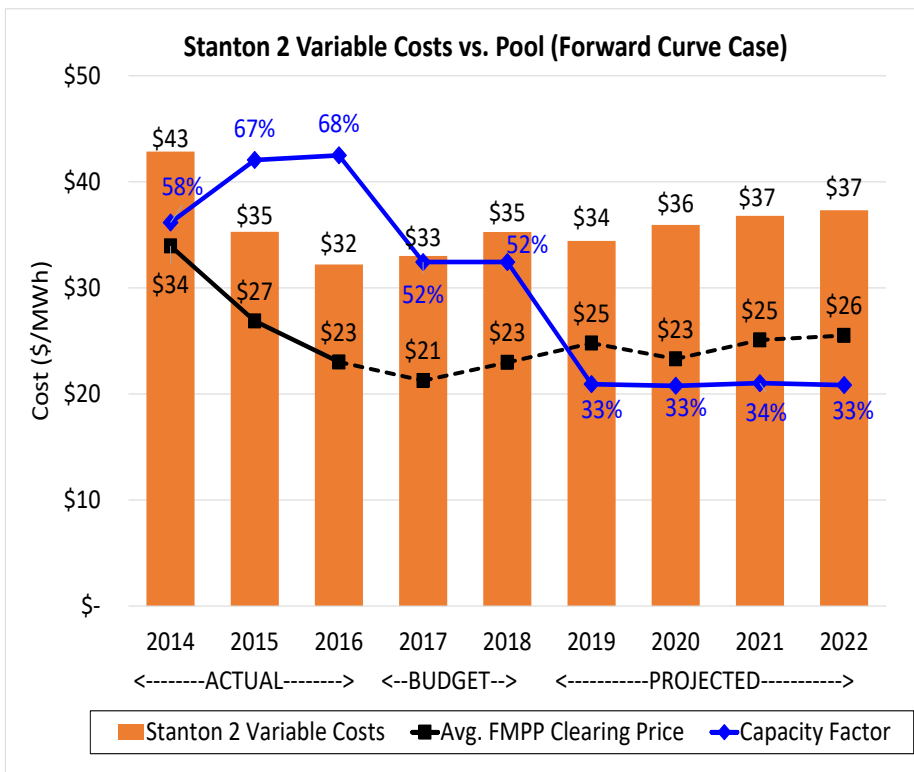
Total Stanton II Project Capital of ≈\$9M Funded Through Rates (R&R)



OUC has Made Significant Investments to Reduce Operating Costs

- Pond Expansion Project should allow for reduced plant operations more consistent with intermediate units
- Recent historical operations driven more by site water discharge restrictions than economics
 - Stanton 2 tends to dispatch first because of better efficiency
 - Both units must-run at times to evaporate water
- OUC has been performing pond expansion/relining project to solve water issue
 - May be completed as early as mid-2018
 - Will mostly eliminate need to must-run both units
 - One unit will still need to operate for brine plant (necessary for cooling water for Stanton combined cycle units)
- Solving the water issue will lower total dollar operating costs if plant output decreased, but will increase \$/MWh costs due to reduced capacity factor

Dispatch of Stanton Coal Depends on Fuel Prices

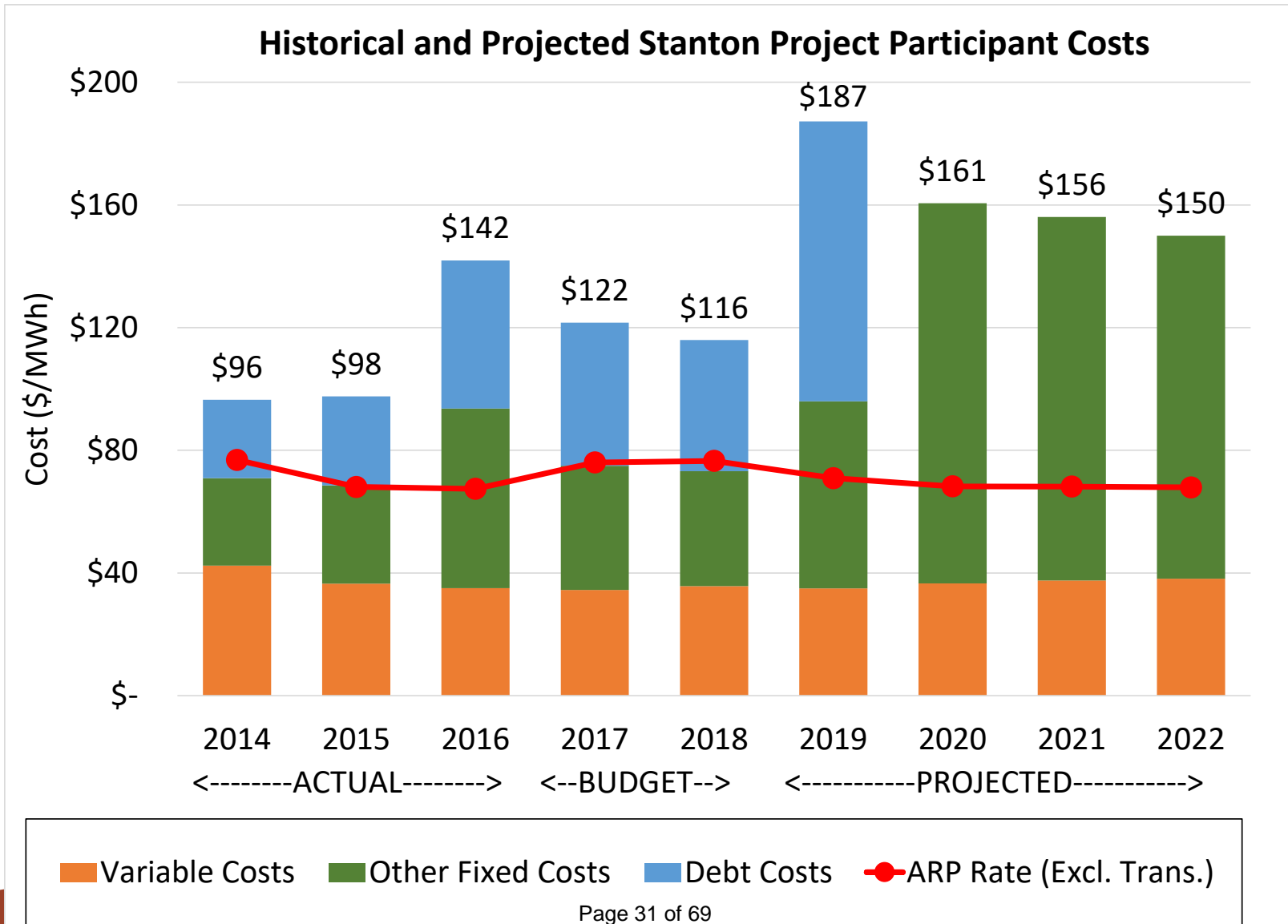


Rate Projections

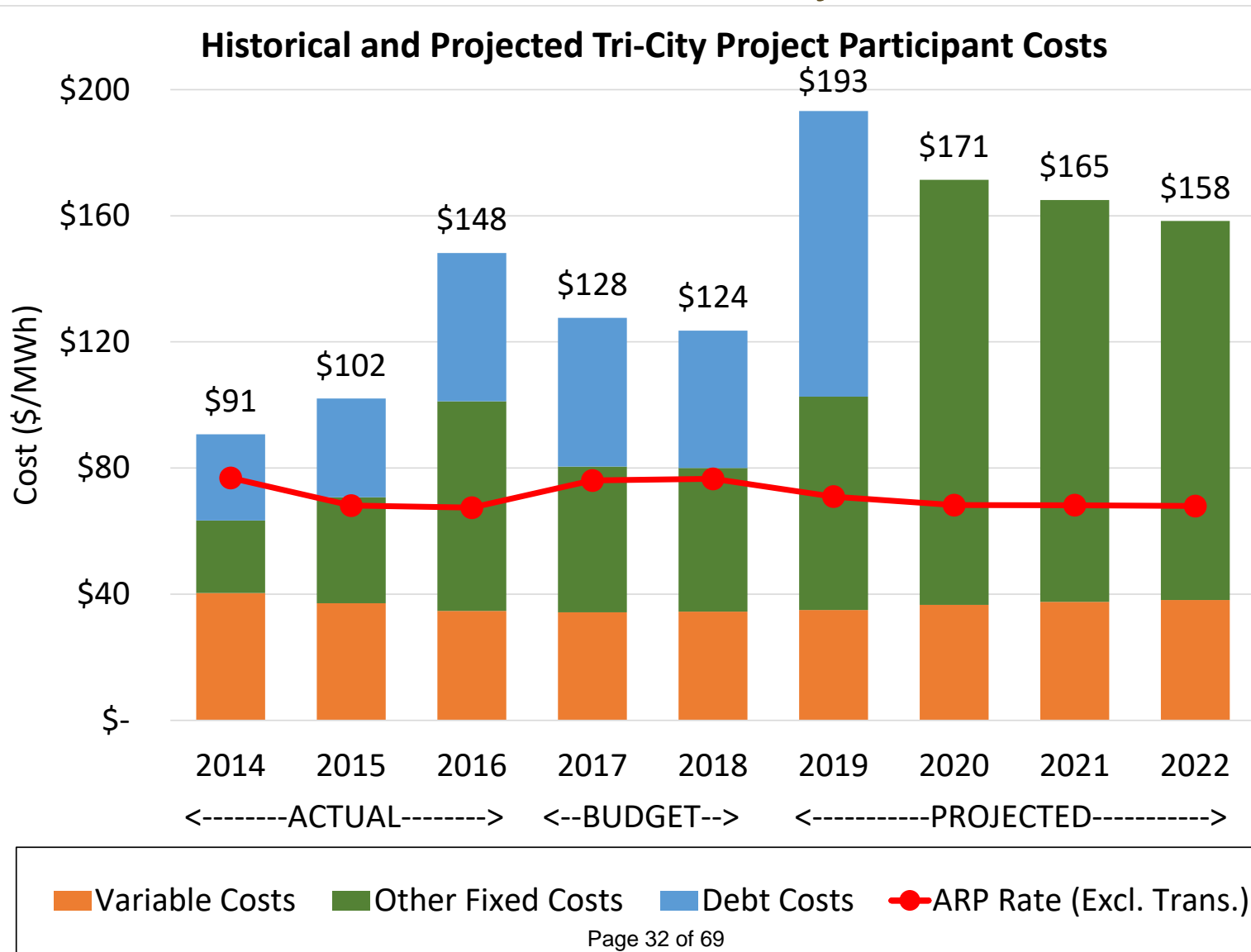
View 1: Low Gas Price Environment

(Based on Forward Strip)

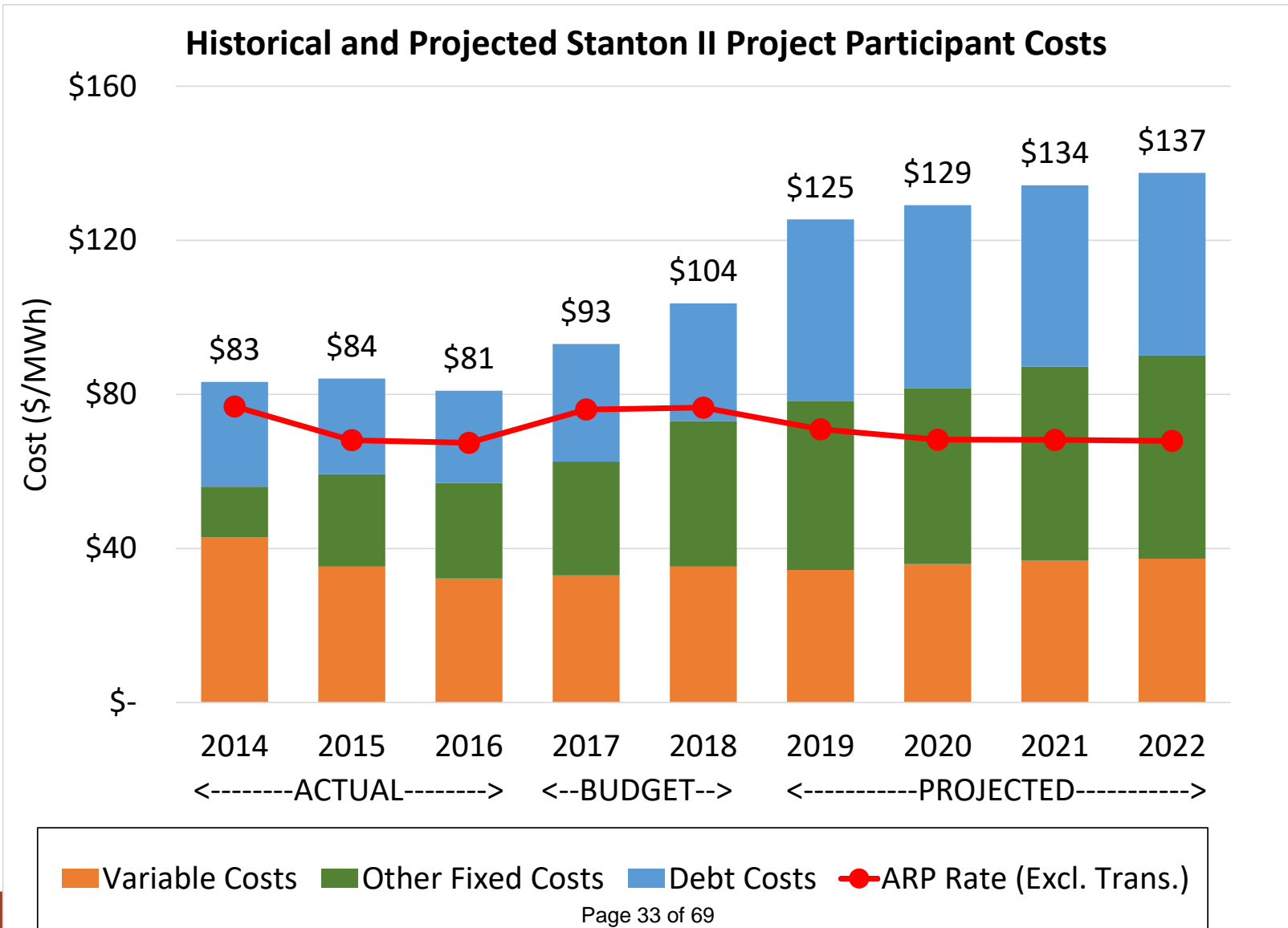
View 1 Rate Projection – Low Natural Gas, No Decrease in Rail Costs – Stanton



View 1 Rate Projection – Low Natural Gas, No Decrease in Rail Costs – Tri-City



View 1 Rate Projection – Low Natural Gas, No Decrease in Rail Costs – Stanton 2

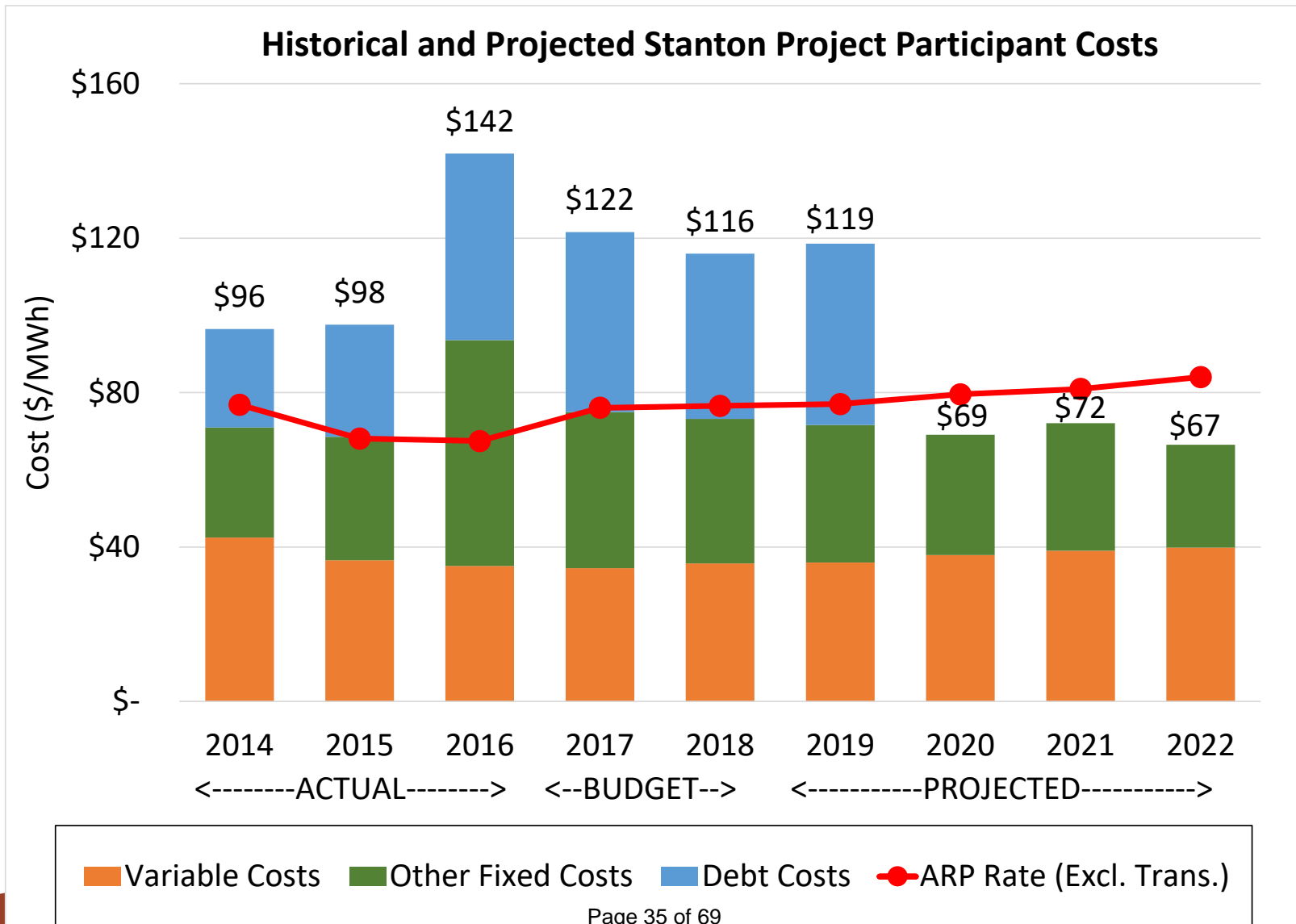


Rate Projections

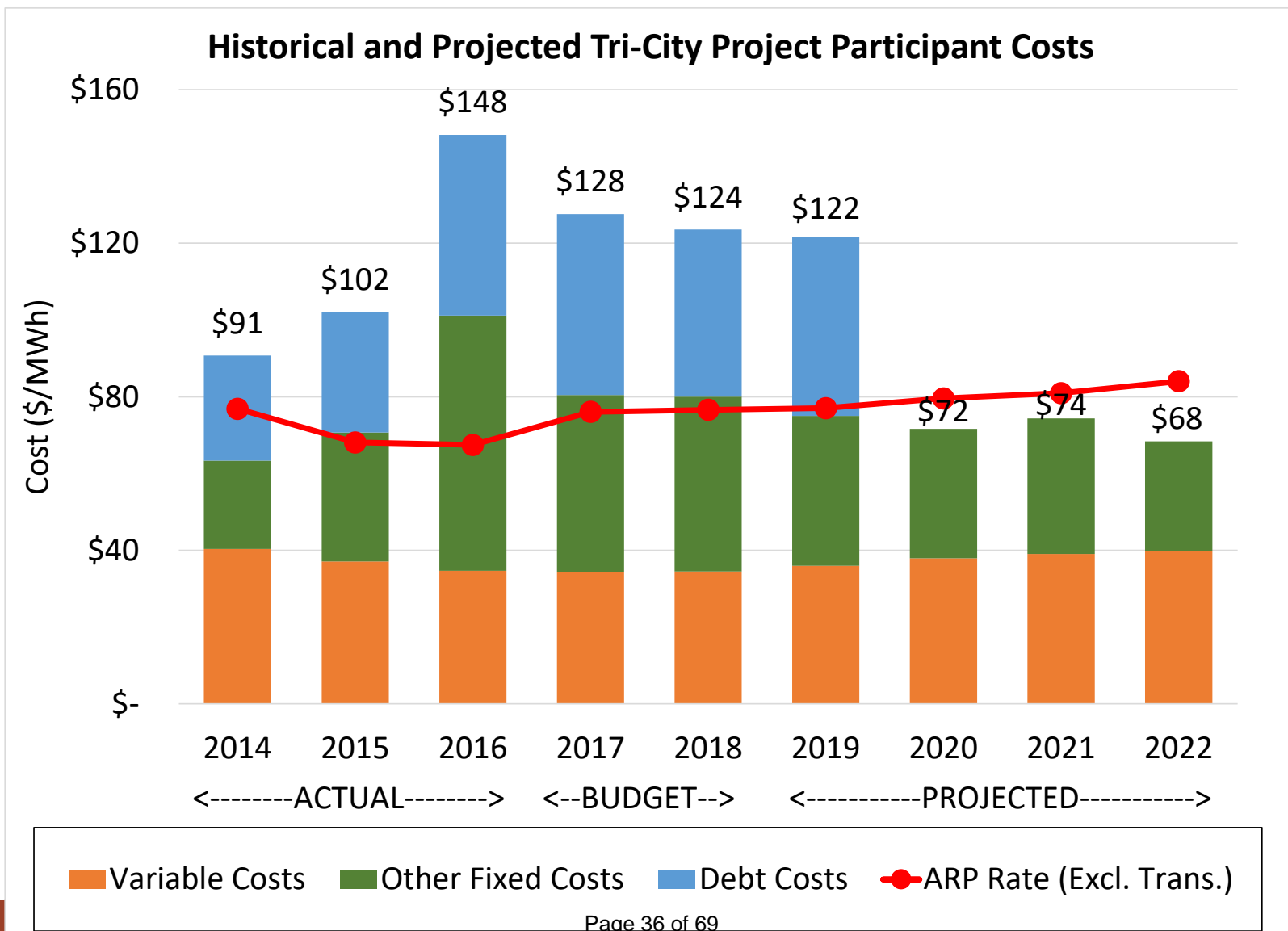
View 2: Reduced Rail Costs or Escalated Gas Price Environment

(Based on EVA Gas Forecast)

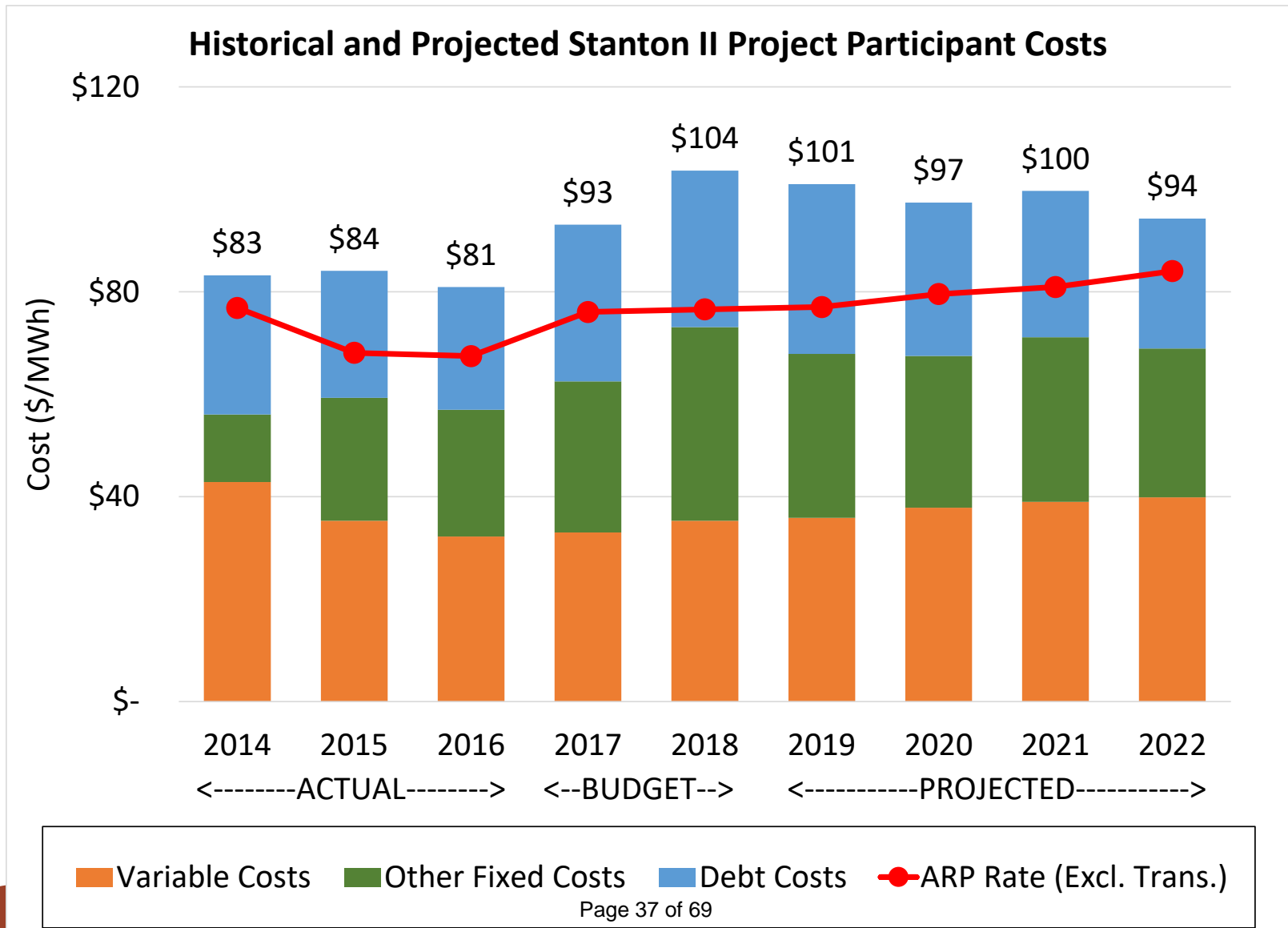
View 2 Rate Projection – Rail Costs Decreased or Natural Gas Prices Rise – Stanton



View 2 Rate Projection – Rail Costs Decreased or Natural Gas Prices Rise – Tri-City



View 2 Rate Projection – Rail Costs Decreased or Natural Gas Prices Rise – Stanton 2



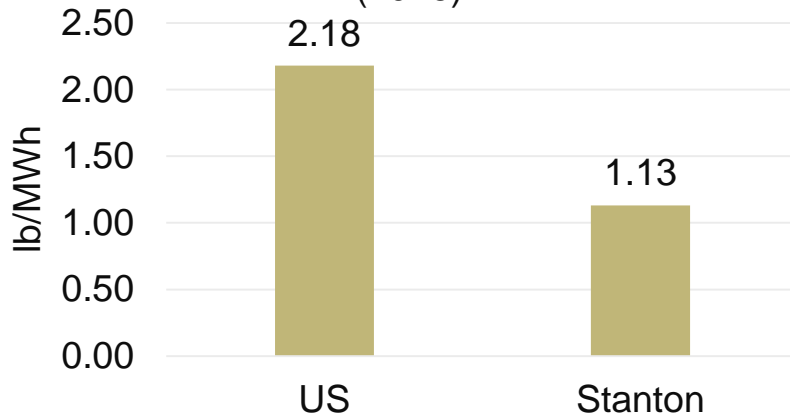
Environmental Regulation Update

Current Environmental Regulations Should Not Impact Stanton Operations

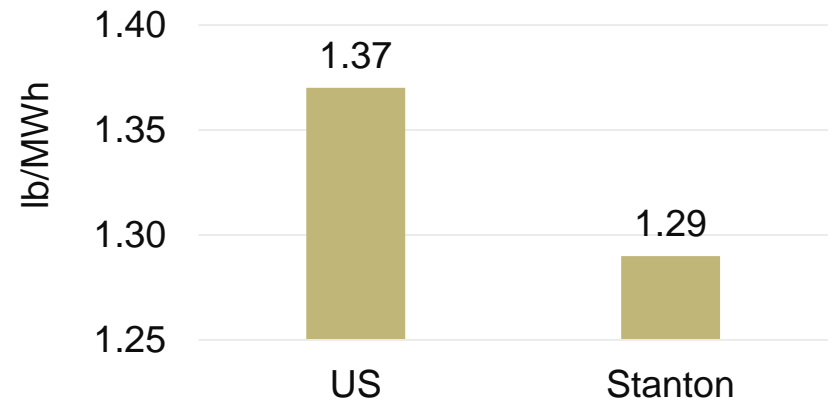
- Both Stanton 1 & 2 remain in compliance with all known environmental requirements
- Update - Recent Major EPA Rules
 - Clean Power Plan (CPP)
 - Cross-State Air Pollution Rule (CSAPR)
 - Mercury and Air Toxics Standards (MATS)
 - Coal Combustion Residuals (CCR)

Stanton Emissions Lower Than National Industry Average for Coal Units

Comparison of SO₂ Emission Rates from EPA's Annual Acid Rain Program (Coal Units Only) (2016)



Comparison of NO_x Emission Rates from EPA's CSAPR Ozone Season Program (Coal Units Only) (2016)



OUC Implementing Fuel-Lean Gas Re-burn (FLGR) Project for Stanton 1 NO_x Compliance

- Aims to provide 20-30% NO_x reduction in Stanton 1 by injecting natural gas above the coal flame.
- OUC still testing to optimize and meet performance guarantees
- Designed as lower-cost alternative to SCR installation (\$100+ million)
- OUC does not intend to initiate operation unless required by CSAPR or other NO_x reduction program

Project Risks and Opportunities

Risks

- Natural gas prices
- Retirement control/input
 - OUC has unilateral right to retire Stanton 1 beginning 7/1/17 (although we do not expect such retirement)
 - OUC cannot retire Stanton 2 without FMPPA approval prior to 6/1/26
- Limited control over costs
- Site water management
- CO2 or other environmental regulations or legislation

Opportunities

- Provides cost protection in the event of increase in natural gas prices
- FMPA Project Debt will soon be paid off for Stanton and Tri-City Projects, reducing fixed costs
- Renegotiation of rail contracts is biggest operations cost savings opportunity and improved competitiveness regardless of gas prices

Key Takeaways

- Fixing the water issue will reduce must-run requirements, allow the plant to dispatch more on economics
- In a low gas price environment, and without operating cost reductions, unit capacity factors will be low, thereby increasing total project rates
- Capital spending assumes plant will run for next 10 - 20 years
- Reducing rail costs is key to enhancing value of assets regardless of gas prices

Q&A Session

St. Lucie Project Update



Florida Municipal Power Agency
Community Power. Statewide Strength.®

St. Lucie Project Committee

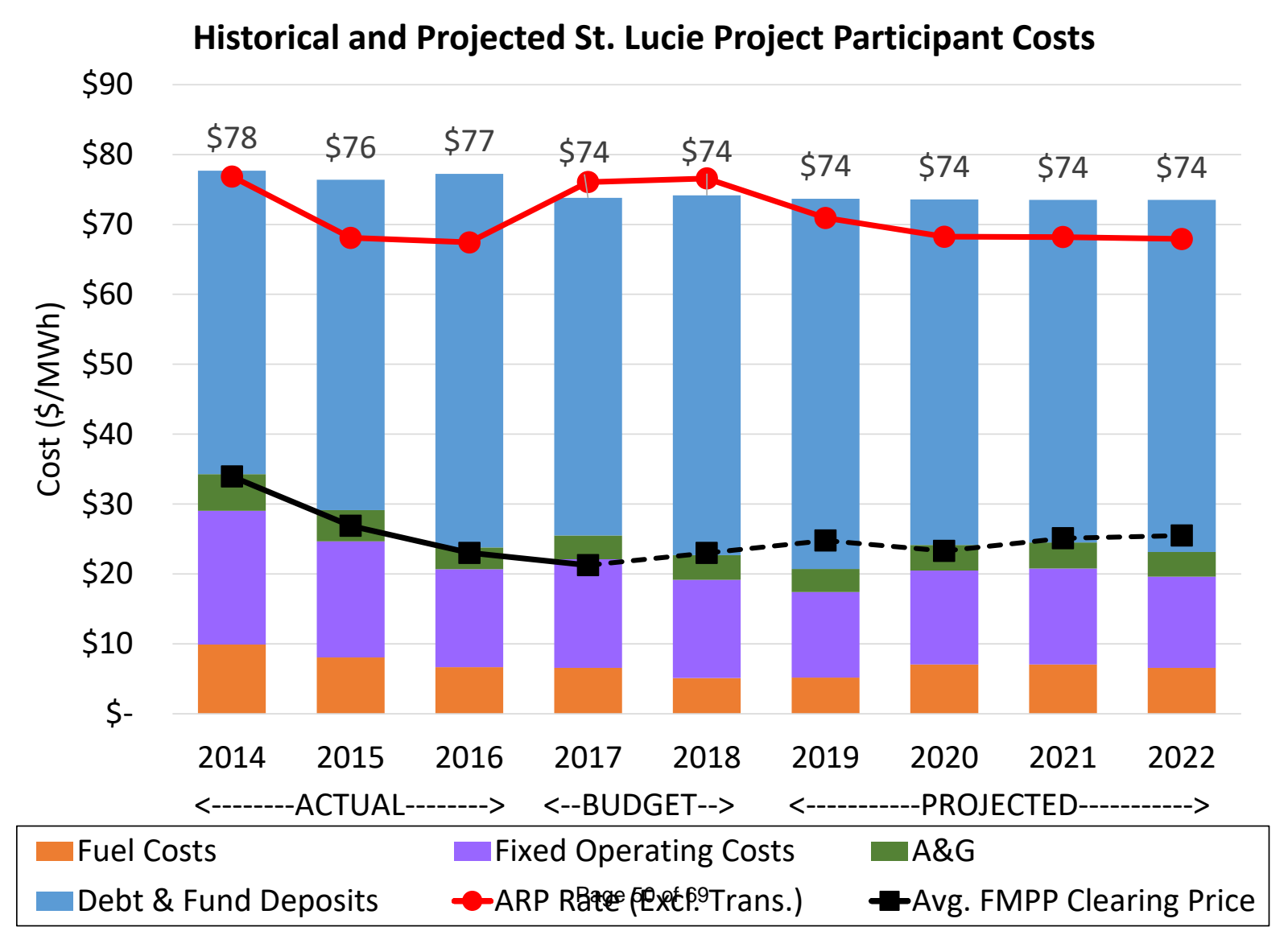
June 21, 2017

Summary

- Project rates are projected to remain steady, operating costs below market
- Project debt paid off in 2026
- No near-term major capital projects planned
- St. Lucie 2 operating performance has improved
- Nuclear Reliability Exchange Agreement terminates 10/1/17, may be extended
- No near-term concerns on steam generator tube wear based on current information

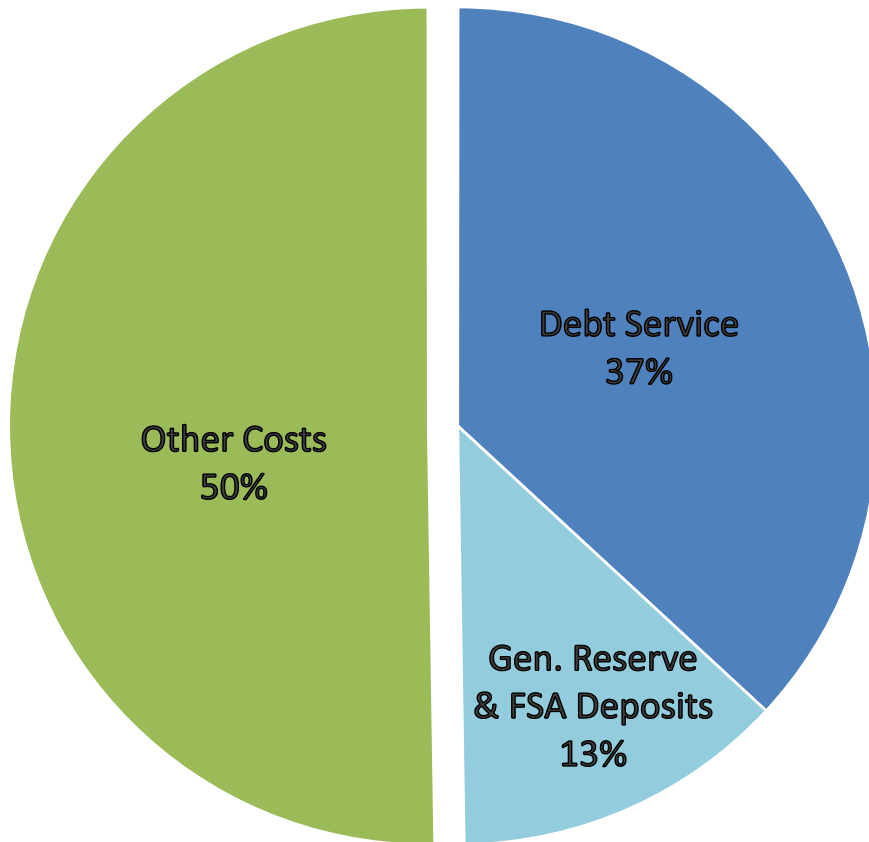
Operations and Costs

St. Lucie Project Rates Projected to Be Stable; Operating Costs Below Market



Debt Service and Related Costs Currently \approx Half of Total Project Costs

Percent of Total Project Costs



- \approx \$315M debt outstanding
- Accumulating funds to pay future bullet debt principal
- Staff currently projects all Project debt paid by 2026 without raising rates

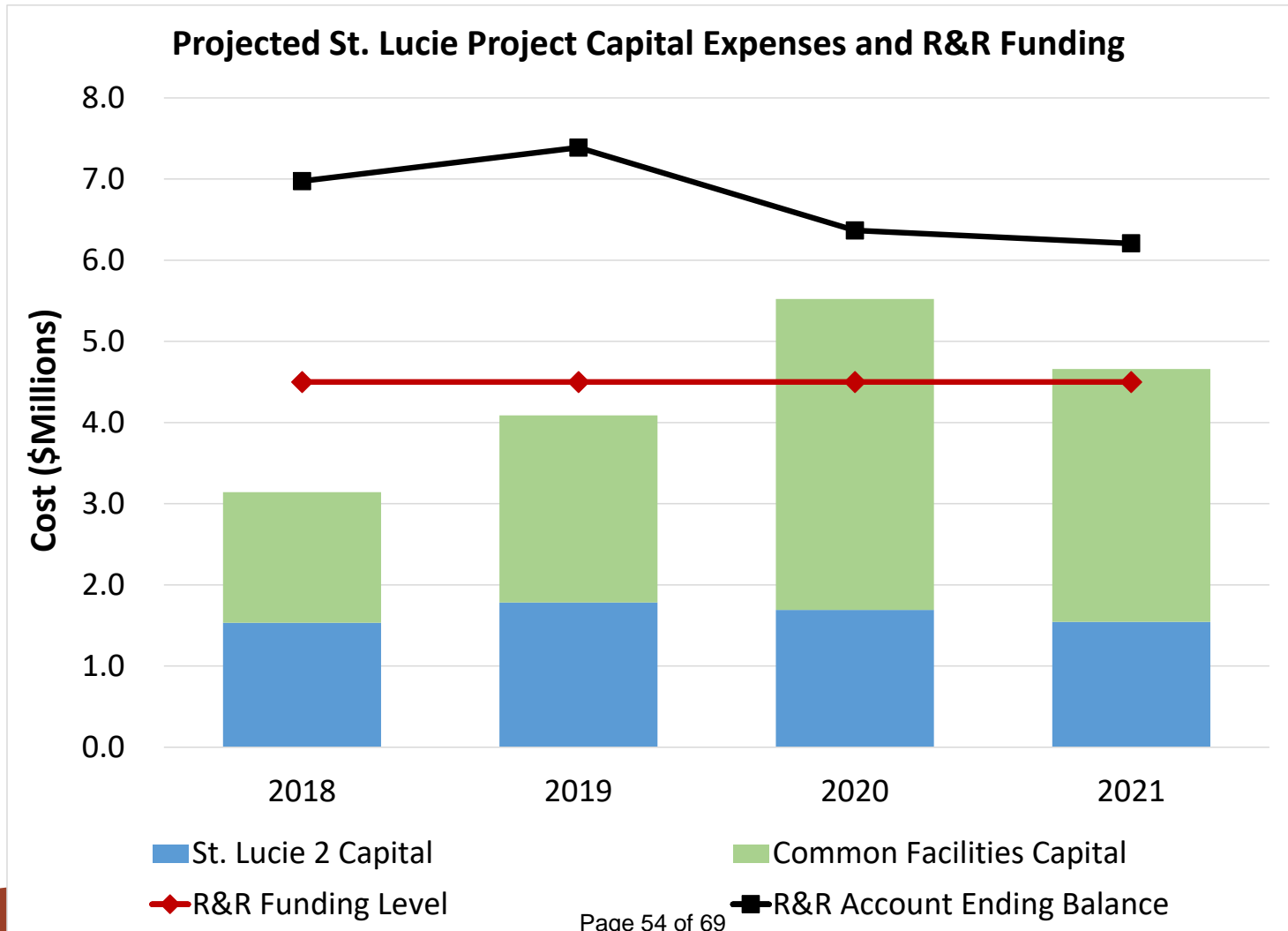
Some Opportunity to Reduce Future Operating Costs

- NextEra participating in “Delivering the Nuclear Promise” initiative
 - Industry-wide effort that targets 30% reduction in O&M costs for nuclear units
 - NRC involved to ensure safety not adversely impacted
- Reducing number and duration of outages also key to reducing total and \$/MWh costs
 - FPL targeting reduction in refueling outage duration from 30-32 days to 25 days
 - Must ensure that reliability doesn't suffer as a result
 - Some work can only be performed during outages

No Near-Term Major Capital Needs Anticipated

- FPL performs proactive aging management review
 - FPL currently sees no emergent issues that would drive major capital expenditures over next several years
- FPL currently in process of plant electrical and distribution upgrades
 - Provides additional offsite power capability
 - Purely for nuclear safety, protection of public, and generation reliability

Total St. Lucie Project Capital of ≈\$17M through 2021 Funded Through Rates (R&R)



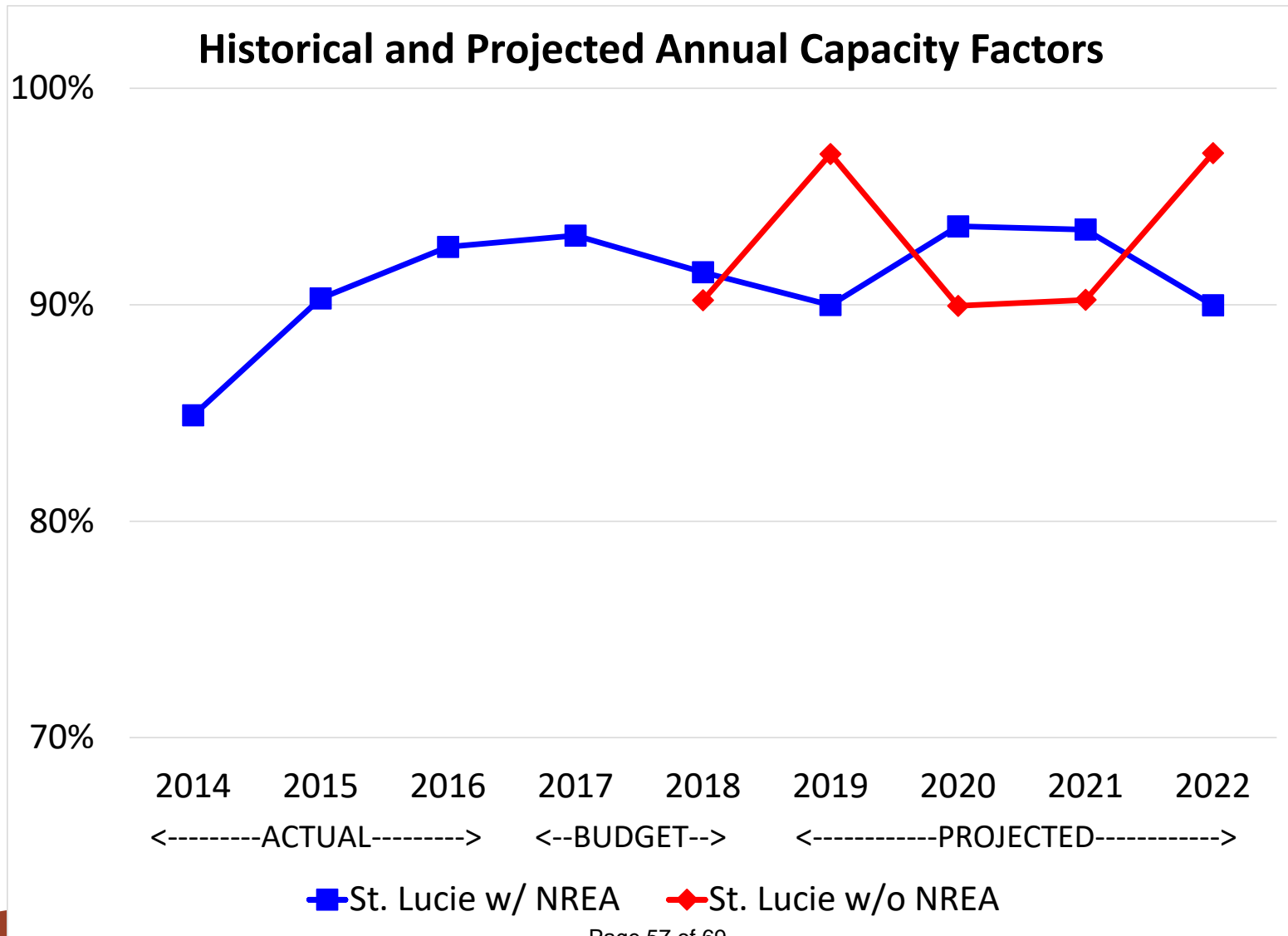
Plant Operations - Key Things to Know

- Nuclear Reliability Exchange Agreement (NREA) expiring
- St. Lucie 2 operating performance seems to be improving
- Staff is monitoring uptick in forced outages (3) at St. Lucie 1 since August 2016

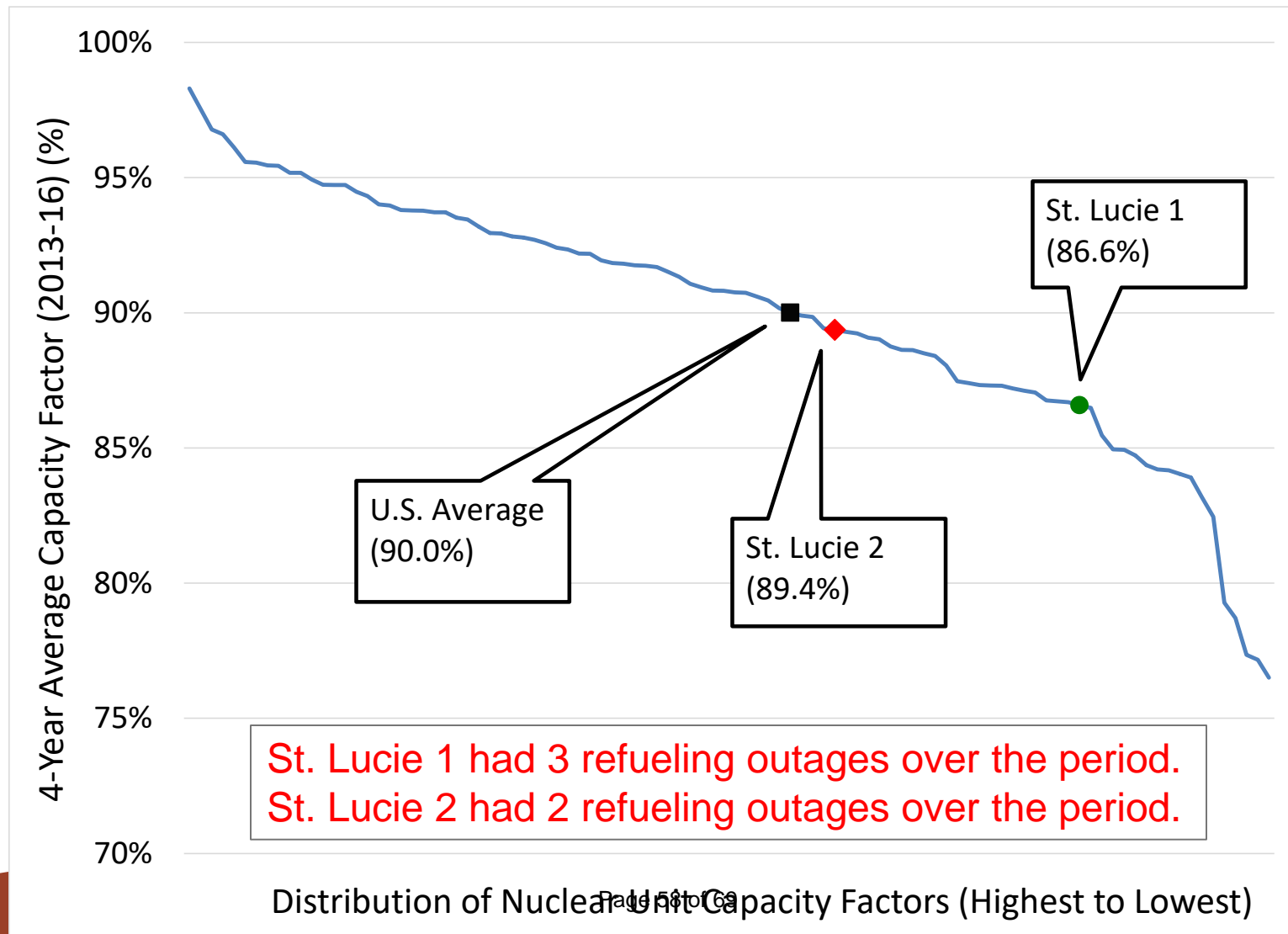
Nuclear Reliability Exchange Agreement Set to Expire This Year

- 50% of FMPPA's St. Lucie 2 capacity and energy entitlement currently exchanged with FPL for like amounts from St. Lucie 1
- Agreement currently expires 10/1/2017
- Staff has been discussing a potential extension of the agreement with FPL
- Update to be presented at June 21 St. Lucie Project Committee Meeting

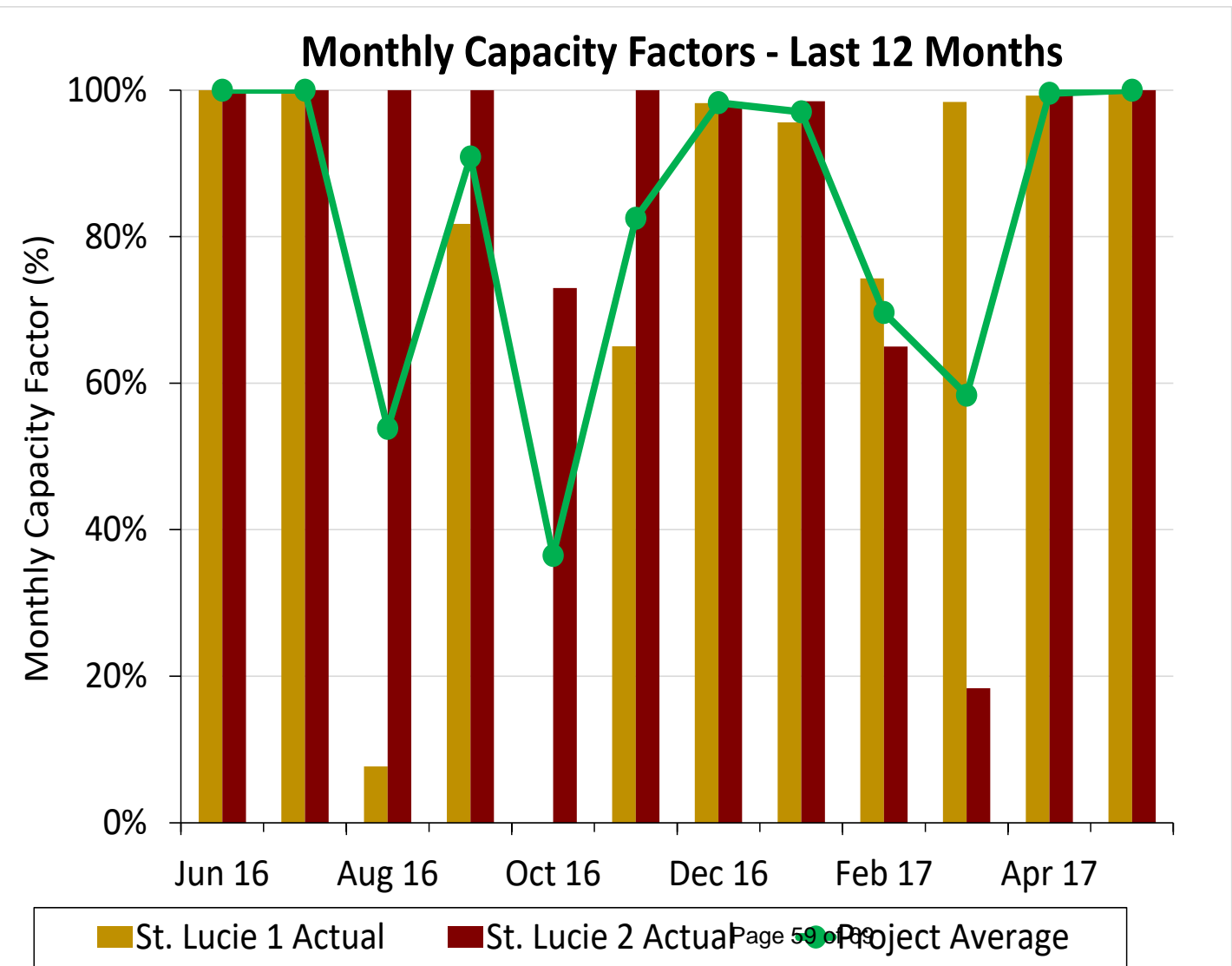
Capacity Factors Projected to Be High but Will Be Impacted by Ultimate Outcome of NREA



St. Lucie 2 Capacity Factor Near U.S. Nuclear Fleet Average Since 2013



Refueling Outages for Both Units, Multiple St. Lucie 1 Forced Outages Reduced Project Capacity Factor Over Past Year



12-Month
Average CF%

St. Lucie 1: 77%
 St. Lucie 2: 88%
 Project: 82%

Plant Shut Down for Hurricane Matthew, No Damage Sustained

- St. Lucie 2 shut down on October 6, 2016, due to hurricane force winds expected at site
- St. Lucie 1 was already down due to planned refueling outage
 - Resulted in outage schedule delays due to need to stop work and secure the site
- Unit 2 restated on October 13 after:
 - Verification that unit did not sustain damage
 - NRC and FEMA joint review that evacuation routes were clear and emergency services available

Regulatory Update

2016 NRC Performance Assessment was Positive for St. Lucie 2

- St. Lucie 1&2 within highest performance category of NRC's oversight matrix during Q4 2016
 - All inspection findings during 2016 had very low safety significance
 - All performance indicators within expected range
- St. Lucie 1 subsequently downgraded to "Regulatory Response" column of matrix due to finding regarding August 2016 reactor trip
 - NRC requires a follow-up inspection

St. Lucie Compliant to-Date with Fukushima Requirements

- NRC issued 2 orders requiring plant modifications for responding to beyond design basis external events
- FPL notified NRC in December 2015 that St. Lucie is in compliance with the orders
 - Includes capital expenditures for FLEX strategy
- NRC safety evaluation concluded that FPL's guidance and proposed designs are adequate if implemented appropriately.
 - Compliance inspection scheduled for July 2017

Project Risks and Opportunities

St. Lucie 2 Steam Generator (SG) Tube Wear Rate Slowing

- FPL currently performs testing to measure SG tube wear rate during every refueling outage
- FPL states that rate of wear is continuing to decline as expected
- NRC review of fall 2015 tube inspection report:
 - Results consistent with industry operating experience at similarly designed and operated units
 - Number of wear indications is greater than comparable SGs, but severity of indications is similar to those observed at other plants

Other Risks

- Natural gas prices
- Toshiba/Westinghouse bankruptcy
- Problems at other plants (e.g., Fukushima)
- Aging plant – reliability impacts?
- Aging workforce
- Management turnover
- No control over retirement
- No control over costs
- Spent fuel management
- Decommissioning costs

Opportunities

- Provides cost protection in the event of a natural gas price spike
- Debt paid off in 2026, and unit licensed to operate until 2043
- Carbon-free generating resource
- Additional 20-year license extension?

Key Takeaways

- Project rates are projected to remain steady, operating costs below market
- Project debt paid off in 2026
- Nuclear Reliability Exchange Agreement terminates 10/1/17, may be extended
- No near-term significant operational concerns
- No near-term significant anticipated capital expenses

Q&A Session