

MEMORANDUM

TO: Financial Impact Estimating Conference

FROM: Florida Power & Light Company, Duke Energy Florida, Tampa Electric Company and Gulf Power Company (the “Utilities”)

RE: Financial Impact Statement for the Proposed Initiative Entitled Re: “Limits or Prevents Barriers to Local Solar Electricity Supplier”

DATE: May 4, 2015

Based on the presentations to, and deliberations by, the Financial Impact Estimating Conference (“FIEC” or “Conference”), there is no reasonable doubt that the proposed solar amendment will reduce state and local government revenues, although the extent of the reduction may not be quantifiable at this time. In support of this conclusion, the Utilities note the following for consideration by the Conference:

1. As summarized by the memorandum that the Utilities submitted on April 24, 2015 to the Conference, one of the largest sources of revenues to local government from electric sales by utilities is franchise fees.¹ The Utilities paid \$643,900,610 in franchise fees in 2014 and estimate that a total of about \$850 million was paid that year on sales by all utilities.
2. Franchise fees are paid pursuant to franchise agreements, which exist between utilities and a multiplicity of municipalities and counties. Nothing presented to the Conference suggests that Local Solar Electricity Suppliers would enter into franchise agreements or otherwise obligate themselves to pay franchise fees or their equivalent.

¹ See attached McDaniel FIEC Memo 4-24-15

3. The amount of franchise fees paid is a direct function of utility electric sales. Sales of electricity by Local Solar Electricity Suppliers that are facilitated by the proposed amendment will displace sales by utilities. As a result, utility sales will be lower and franchise revenues will be correspondingly reduced.
4. The displacement of utility sales by Local Solar Electricity Suppliers is likely to reduce tax revenues for state and local government as well. Public service tax revenues are likely to decline. Absent a change in the approach to administering the Gross Receipts Tax generally, and its use tax component specifically, the state can also expect a reduction in revenues caused by the proposed amendment.
5. Adoption of the proposed amendment is likely to increase costs to state and local government as well. Statutes and rules likely will need to be enacted and amended in order to administer, implement and accommodate the amendment.

Accordingly, the Utilities recommend that the Conference adopt the following Financial Impact Statement:

The overall financial impact of this amendment on state and local government revenues and costs cannot be precisely determined. There will be a direct reduction in franchise fee and tax revenues to government, the extent of which is dependent upon the adoption rate of local solar electricity under the amendment and the resulting displacement of electric sales by electric utilities. State and local governments will incur additional costs due to the amendment. (72 words)

MEMORANDUM

TO: Financial Impact Estimating Conference

FROM: Florida Power & Light Company, Duke Energy Florida, Tampa Electric Company and Gulf Power Company

RE: Additional Information Concerning Financial Impact Statement for the Proposed Initiative Entitled Re: "Limits or Prevents Barriers to Local Solar Electricity Supplier"

DATE: April 22, 2015

At the Financial Impact Estimating Conference ("FIEC") public meeting held on April 10, 2015, proponents of the proposed Initiative asserted that it would have no financial impact on the revenues of state and local government. At this time, Florida Power & Light Company, Duke Energy Florida, Tampa Electric Company and Gulf Power Company (the "Utilities") are not taking a position on the proposed Initiative. However, the proponents' assertion of no financial impact is demonstrably incorrect, and the Utilities are submitting this additional information in support of that conclusion.

As summarized in the materials that the Utilities submitted at the April 10 public meeting, there is a range of taxes and fees that the Utilities, as well as municipal utilities and electric cooperatives, pay to state and local government based on their sales of electricity. Those taxes and fees include sales tax, gross receipts tax, municipal public service tax, the regulatory assessment fee and municipal franchise fees. Approximately \$2.9 billion of such fees and taxes were paid to state and local government in Florida during 2014.

The express purpose of the proposed Initiative is to "encourage and promote local small-scale solar-generated electricity" (Section (a) of the proposed Initiative) and to facilitate its sale to electric consumers in Florida. Those sales will necessarily displace sales of electricity currently made by the Utilities, as well as by municipal utilities and electric cooperatives. For some of the taxes and fees that are currently paid by utilities on electric sales, it is unclear whether or not sales by local solar electricity suppliers ("LSES") would also be subject to those same taxes and fees. The FIEC has asked the Department of Revenue to advise it as to the applicability of certain taxes to LSES sales. However, one of the largest sources of revenues to local government from electric sales by utilities is franchise fees. The Utilities paid \$643,900,610 in franchise fees in 2014 and estimate that a total of about \$850 million was paid that year on sales by all utilities. There is no question that those franchise fees would *not* be paid on LSES sales. This is because the agreements pursuant to which utilities pay franchise fees are bilateral contracts between the specific utilities and the counties and municipalities that the

utilities serve. There is no counterpart to those franchise agreements for LSES sales. Thus, for every kilowatt-hour of electricity sold by an LSES rather than a utility, it is absolutely certain that there will be a county or municipality somewhere in Florida that loses revenue in the form of foregone franchise fees. This is not speculation; it is a fact.

Attachment 1 to these comments is a series of tables that show the counties and municipalities that have franchise agreements with each of the four Utilities. These are the local governments that will lose franchise-fee revenues on each LSES sale that displaces a Utility sale within their boundaries. There is insufficient information to predict the extent to which LSES sales will displace utility sales, but even displacement of 1% of the Utility sales would result in a loss of about \$8.5 million annually to the affected counties and municipalities. Higher levels of displaced sales would lead inexorably and proportionately to larger losses of local government franchise-fee revenues. And, of course, the displacement of Utility sales may reduce revenues from other taxes and fees as well, depending upon whether the applicability provisions for each tax and fees is ultimately construed to apply to LSES sales.

The Utilities are aware of no meaningful reductions in the costs of providing government services that would result from the proposed Initiative. Indeed, the displacement of their electric sales described above is likely to result in increased electric rates for all electric customers, including state and local governments.

ATTACHMENT I

Florida Power & Light Company Franchises

Florida Power & Light Company ("FPL" or "the company") is an investor-owned electric public utility company serving more than 4.7 million customers throughout much of eastern and southwestern Florida. The company pays franchise fees to the following 177 counties and municipalities pursuant to franchise agreement ordinances:

Anna Maria	Davie	Hillsboro Beach	Malabar
Arcadia	Daytona Beach	Holly Hill	Manalapan
Atlantis	Daytona Beach Shores	Hollywood	Mangonia Park
Baker - Uninc.	DeBary	Holmes Beach	Margate
Bal Harbour	Deerfield Beach	Hypoluxo	Marineland
Bay Harbor Islands	Delray Beach	Indianalantic	Medley
Belle Glade	Deltona	Indian Creek	Melbourne
Beverly Beach	DeSoto - Uninc.	Indian Harbour Beach	Melbourne Beach
Biscayne Park	Edgewater	Indian River - Uninc.	Melbourne Village
Boca Raton	El Portal	Interlachen	Miami
Bonita Springs	Fellsmere	Jupiter	Miami Beach
Boynton Beach	Flagler Beach	Jupiter Inlet Colony	Miami Shores Village
Bradenton	Florida City	LaBelle	Miami Springs
Bradenton Beach	Fort Lauderdale	Lake Butler	Miami-Dade Uninc.[17]*
Bradford - Uninc.	Fort Myers	Lake City	Miramar
Brevard - Uninc.	Glen Ridge	Lake Clarke Shores	Naples
Broward - Uninc.	Glen Saint Mary	Lake Mary	North Bay Village
Bunnell	Golden Beach	Lake Park	North Lauderdale
Callahan	Golf	Lantana	North Miami Beach
Cape Canaveral	Grant-Valkaria	Lauderdale Lakes	North Miami[2]*
Charlotte - Uninc.	Greenacres	Lauderdale-by-the-Sea	North Palm Beach
Cloud Lake	Gulf Stream	Lauderhill	North Port
Cocoa	Halfandale Beach	Lawtey	Oak Hill
Cocoa Beach	Hampton	Lazy Lake	Oakland Park
Coconut Creek	Hastings	Lee - Uninc.	Ocean Ridge
Cooper City	Haverhill	Lighthouse Point	Okeechobee
Coral Gables	Hiialeah	Live Oak	Opa-locka
Coral Springs	Hiialeah Gardens	Longboat Key/Parent	Ormond Beach
Crescent City	Highland Beach	Loxahatchee Groves	Oviedo
Dania Beach	Hilliard	Macclenny	Pahokee

Palatka	South Bay	*Miami-Dade Cnty Cities listed below:
Palm Bay	South Daytona	Aventura
Palm Beach	South Miami/#1 Parent[2]*	Cutler Bay
Palm Beach - Uninc.	South Palm Beach	Doral
Palm Beach Gardens	Southwest Ranches	Key Biscayne
Palm Beach Shores	St. Augustine	Homestead
Palm Shores	St. Augustine Beach	Miami Gardens
Palm Springs	St. Lucie - Uninc.	Miami Lakes
Palmetto	Starke	Palmetto Bay
Pembroke Park	Stuart	Pinecrest
Pembroke Pines	Sunrise	Sunny Isles Beach
Penney Farms	Surfside	
Plantation	Sweetwater	
Pomona Park	Tamarac	
Pompano Beach	Tequesta	
Ponce Inlet	Titusville	
Port Orange	Venice	
Port St. Lucie	Virginia Gardens	
Punta Gorda	Waldo	
Raiford	Welaka	
Riviera Beach	Wellington	
Rockledge	West Melbourne	
Royal Palm Beach	West Miami	
Sanford	West Palm Beach	
Sarasota	West Park	
Sarasota - Uninc.	Weston	
Satellite Beach	Wilton Manors	
Sea Ranch Lakes		
Sebastian		
Sewall's Point		

Exhibit A

Duke Energy Florida Franchises

Duke Energy Florida ("DEF") is an investor-owned electric public utility company serving more than 1.7 million customers throughout much of western, central and northern Florida. DEF pays franchise fees to the following 123 counties and municipalities pursuant to franchise agreement ordinances:

Alachua	Fort White	Oakland
Altamonte Springs	Frostproof	Ocala
Apalachicola	Gilchrist County	Ocoee
Apopka	Groveland	Orange City
Archer	Gulfport	Orlando
Avon Park	Haines City	Oviedo
Bartow	High Springs	Perry
Belle Isle	Highland Park	Pierson
Belleair	Hillcrest Heights	Pinellas Park
Belleair Beach	Howey-In-The-Hills	Port Richey
Belleair Bluffs	Indian Rocks Beach	Port St Joe
Belleair Shore	Indian Shores	Reddick
Bellevue	Inglis	Redington Beach
Bowling Green	Inverness	Redington Shores
Branford	Jasper	Safety Harbor
Bronson	Jennings	Sanford
Brooksville	Kenneth City	Sebring-SUC
Carrabelle	Lacrosse	Sebring
Casselberry	Lady Lake	Seminole
Center Hill	Lake Hamilton	So Pasadena
Chiefland	Lake Helen	Sopchoppy
Clearwater	Lake Mary	St. Marks
Clermont	Lake Placid	St. Pete Beach
Coleman	Lake Wales	St. Petersburg
Cross City	Largo	Tarpon Springs
Crystal River	Lee	Tavares
Davenport	Longwood	Treasure Island
Deland	Madeira Beach	Trenton
Deltona	Madison	Umatilla
Debary	Maitland	Wakulla County
Devlmpnt Dist - Celebration	Mascotte	Webster
Devlmpnt Dist - Enterprise	Mayo	White Springs

Dundee	Mcintosh	Wildwood
Dunedin	Mexico Beach	Windermere
Dunnellon	Micanopy	Winter Garden
Eatonville	Minneola	Winter Haven
Edgewood	Monticello	Winter Park
Eustis	Montverde	Winter Park Annexed
Eustis Manufacturing	Mt Dora	Winter Springs
Fanning Springs - Gilchrist	New Port Richey	Zephyrhills
Fanning Springs - Levy	No. Redington Beach	Zolfo Springs

Exhibit B

Gulf Power Company Franchises

Gulf Power Company ("Gulf") is an investor-owned electric public utility company serving more than 440,000 thousand customers throughout much of Northwest Florida. Gulf pays franchise fees to the following 32 counties and municipalities pursuant to franchise agreement ordinances:

Chipley	Milton
Vernon	Defuniak Springs
Graceville	Paxton
Campbellton	Ponce de Leon
Bonifay	Crestview
Caryville	Laurel Hill
Panama City	Niceville
Springfield	Valparaiso
Cedar Grove	Shalimar
Lynn Haven	Fort Walton Beach
Panama City Beach	Cinco Bayou
Parker	Mary Esther
Callaway	Destin
Pensacola	Escambia County
Century	Jackson County
Gulf Breeze	Santa Rosa County

Tampa Electric Company Franchises

Tampa Electric Company ("Tampa Electric" or "the company") is an investor-owned electric public utility company serving more than 706,000 customers in Hillsborough and portions of Polk, Pinellas and Pasco Counties in Florida. The company pays franchise fees to the following 13 municipalities pursuant to franchise agreement ordinances:

Auburndale	Lake Alfred	Plant City	St. Leo
Dade City	Mulberry	Polk City	Tampa
Eagle Lake	Oldsmar	San Antonio	Temple Terrace
Winter Haven			