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# Financial Advisor's Report

## Martin County, Florida

Revenue Refunding Bonds (Florida Power & Light Company Project),  
Series 2022

**Prepared by: PFM Financial Advisors LLC**

**Date: June 21, 2022**

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## Introduction

This report is intended to summarize the issuance by Martin County, Florida (the “County” or the “Issuer”) of its Revenue Refunding Bonds (Florida Power & Light Company Project), Series 2022 (the “Series 2022 Bonds”) and its adherence to the County’s Financing Guidelines for Conduit Bonds. This report also serves as the basis for the summary and conclusions from PFM Financial Advisors LLC (“PFM” or the “Financial Advisor”), the independent financial advisor to the County with respect to the issuance of the Series 2022 Bonds. PFM is serving solely in the role of Financial Advisor to the County and is not representing Florida Power & Light Company (the “Borrower” or “FPL”). All information summarized in this Financial Advisor’s Report is based off documents received by PFM as of the date of this report, and may be subject to change.

## The Series 2022 Bonds Financing Team

Below is a summary of the participants involved in the financing of the Series 2022 Bonds.

<b>Borrower:</b>	Florida Power & Light Company
<b>Borrower’s Financial Advisor:</b>	N/A
<b>Special Tax Counsel &amp; Borrower’s Counsel:</b>	Squire Patton Boggs (US) LLP
<b>Underwriter:</b>	Morgan Stanley & Co. LLC
<b>Underwriter’s Counsel:</b>	Ballard Spahr LLP
<b>Remarketing Agent:</b>	Morgan Stanley & Co. LLC
<b>Issuer:</b>	Martin County, Florida
<b>Issuer’s Bond Counsel &amp; Special Issuer’s Counsel:</b>	Bryant Miller Olive P.A.
<b>Issuer’s Financial Advisor:</b>	PFM Financial Advisors LLC
<b>Trustee, Registrar &amp; Tender/Paying Agent:</b>	The Bank of New York Mellon Trust Company, N.A.

## Purpose of the Series 2022 Bonds

The Series 2022 Bonds are being issued for the purpose of paying for all or a portion of the cost of current refunding by redemption the Borrower’s Pollution Control Revenue Refunding Bonds (Florida Power & Light Company Project), Series 2000 (the “Refunded Bonds”), in an aggregate principal amount of \$95,700,000.

## Florida Power & Light Company

FPL is a rate-regulated electric utility engaged primarily in the generation, transmission, distribution and sale of electric energy in Florida. FPL is the largest electric utility in the state of Florida and one of the largest electric utilities in the U.S. As of December 31, 2020, FPL had approximately 28,400 megawatts of net generating capacity, approximately 76,200 circuit miles of transmission and distribution lines and 673 substations. FPL provides service to its electric customers through integrated transmission and distribution systems that link its generation facilities to its customers. On January 1, 2021, FPL and Gulf Power Company (“Gulf Power”) merged, with FPL as the surviving entity. However, FPL will continue to



be regulated as two separate ratemaking entities in the former service areas of FPL and Gulf Power until the Florida Public Service Commission approves consolidation of the FPL and Gulf Power rates and tariffs. Following the merger, FPL now serves more than 11 million people through more than 5.6 million customer accounts. FPL's service area covers most of the east and lower west coasts of Florida and eight (8) counties throughout northwest Florida. FPL, which was incorporated under the laws of Florida in 1925, is a wholly owned subsidiary of NextEra Energy, Inc.

The Refunded Bonds were originally issued to, refinance the Borrower's obligations with respect to bonds previously issued by the Issuer to finance or refinance the acquisition, installation and construction of certain pollution control facilities located at the Martin Steam Electric Generating Plant (the "Plant"), comprised of a cooling reservoir system consisting of a cooling lake covering approximately 6,700 acres, earth embankments, dikes and the necessary piping, pumps and associated equipment to circulate water between the lake and the Plant, together with certain improvements and enhancements thereto, including, but not limited to, installation of a filter and drain system on the downstream side of the reservoir embankment and installation of an impermeable blanket and slurry trench upstream of the embankment (collectively, the "Project").

**Pollution Control Revenue Refunding Bonds (Florida Power & Light Company Project)  
Series 2000**

- Original Principal Amount: \$95,700,000
- Outstanding Principal Amount: \$95,700,000
- Maturity Date: July 15, 2022
- Purpose: Finance or refinance the acquisition, installation and construction of certain pollution control facilities

**Economic Projections**

The refinancing of the Refunded Bonds is expected to preserve gainful employment, promote commerce within the County, and the State of Florida, and serve a public purpose by providing the continued availability of lower debt costs, which ultimately benefits the Borrower's customers in the County, and the State of Florida.

**Security**

Until such time as the principal of and premium, if any, and interest on the Series 2022 Bonds shall have been fully paid or deemed paid in accordance with the Indenture, the Borrower's obligations under the Loan Agreement (dated as of July 1, 2022) are absolute and unconditional and the Borrower has agreed that it (a) will not suspend or discontinue payment of any amounts required to be paid by it under the Loan Agreement, (b) will perform and observe all of its other agreements contained in the Loan Agreement, and (c) except as permitted by the Loan Agreement, will not terminate the Loan Agreement for any cause.

The Series 2022 Bonds issued under the provisions of the Indenture and the premium, if any, and interest thereon and the payment of any purchase price thereof, shall not be deemed to constitute a debt, liability or obligation of the Issuer or of the State of Florida or any political subdivision thereof, but shall be



payable solely from the revenues and proceeds pledged therefor and the Issuer is not obligated to pay the Series 2022 Bonds or the premium, if any, or interest thereon except from the Loan Repayments and other revenues and proceeds derived from the sale, operation or leasing of the Project and payments made under any credit enhancement provided by the Borrower in accordance with the provisions of the Loan Agreement and the Indenture, and the Issuer is not obligated to pay the purchase price of the Series 2022 Bonds except from any moneys available therefor as provided in the Indenture, and neither the faith and credit nor the taxing power of the Issuer or of the State of Florida or any political subdivision thereof is pledged to the payment of the principal of or premium, if any, or interest on, or purchase price of, the Series 2022 Bonds.

### **Series 2022 Bonds Structure**

The following structure information is based on the latest preliminary numbers provided by the Underwriter and the Bond Resolution. The Bond Resolution has established:

- Aggregate principal amount of the Series 2022 Bonds shall not exceed \$95,700,000;
- Shall bear interest at such variable rate or rates, with an initial interest rate not in excess of seven percent (7%) per annum (and in no event in excess of the maximum rate allowed by Florida law);
- A not to exceed final maturity of 30-years from the date of issuance.

The Series 2022 Bonds are anticipated to be dated and delivered on or around June 30, 2022 and are expected to be initially issued as tax-exempt, variable rate bonds issued in an amount of \$95,700,000. The financing will be sold through a negotiated public offering with Morgan Stanley & Co. LLC serving as the Underwriter.

The term of the Series 2022 Bonds will be divided into consecutive Interest Rate Periods at the direction of the Borrower, during which the Series 2022 Bonds may bear interest at a Daily Interest Rate, a Weekly Interest Rate, or a Commercial Paper Term Rate applicable to each Bond or a Long-Term Interest Rate. The initial Interest Rate Period will be a Weekly Interest Rate Period at a price equal to 100%, with an initial Interest Payment Date of August 4, 2022. During the initial Weekly Interest Rate Period interest will accrue on a monthly basis and will be payable on the first Thursday of each month. The Series 2022 Bonds are expected to feature a maturity date of July 1, 2052.

**Interest Rate Periods:** Each Commercial Paper Interest Rate Period, Daily Interest Rate Period and Weekly Interest Rate Period will continue until the date on which FPL determines that a different Interest Rate Period will begin. Each Long-Term Interest Rate Period shall be for a term selected by FPL, which shall be one year or more. FPL may also specify a succession of Long-Term Interest Rate Periods. Each Commercial Paper Term within a Commercial Paper Interest Rate Period will be for a term of 270 days or less. At any time, the Borrower, by written direction to the Issuer, the Trustee, the Registrar, the Tender Agent and the Remarketing Agent, may elect to adjust the method of determining the interest rate with respect to the Series 2022 Bonds by adjusting to a different Interest Rate Period (subject to a notice period depending on the Interest Rate Period).



**Determination of Interest Rates:** During or with respect to each Interest Rate Period, the Remarketing Agent will determine the interest rate or rates applicable to the Series 2022 Bonds, which will be the minimum interest rate or rates which, if borne by the Series 2022 Bonds, would enable the Remarketing Agent to sell the Series 2022 Bonds on the applicable date at a price (without regard to accrued interest) equal to the principal amount thereof. The Remarketing Agent will base that determination on its examination of tax-exempt obligations comparable to the Series 2022 Bonds known by the Remarketing Agent to have been priced or traded under then-prevailing market conditions.

## **Credit Ratings**

The Borrower expects the Series 2022 Bonds to receive investment grade ratings from Moody's Investors Service ("Moody's"), Standard & Poor's ("S&P") and Fitch Ratings ("Fitch"). As of the date of this report, the Borrower possesses issuer credit ratings of "A1" rating from Moody's, "A" rating from S&P, and "A" rating from Fitch. The rating for the Series 2022 Bonds is anticipated to be received after the submission of this report, but they are expected to maintain their investment grade level as required by the County's guidelines.

## **Authorized Denominations**

Authorized Denominations shall be (i) with respect to any Long-Term Interest Rate Period, \$5,000 and any integral multiple thereof; (ii) with respect to any Daily Interest Rate Period or Weekly Interest Rate Period, \$100,000 and any integral multiple of \$5,000 in excess thereof; and (iii) with respect to any Commercial Paper Interest Rate Period, \$100,000 and any integral multiple of \$1,000 in excess thereof.

## **Redemption Provisions**

**Optional Redemption:** The Series 2022 Bonds shall be subject to the Optional Redemption provisions provided below, depending on their current interest rate period.

**Weekly & Daily Interest Rate Period:** Bonds will be redeemable, upon 15 days' notice, at the option of the Borrower, at a price equal to 100% of their principal amount plus accrued interest on any Business Day.

**Commercial Paper Interest Rate Period:** Each Bond will be redeemable, upon 30 days' notice, at the option of the Borrower, at a price equal to 100% of its principal amount on the day after the last day of each Commercial Paper Term for such Bond.

**Long-Term Interest Rate Period:** Bonds will be redeemable, upon 30 days' notice, at the option of the Borrower, after the 10<sup>th</sup> anniversary of commencement of the Long-Term Interest Rate Period at a redemption price equal to 100% of the principal amount thereof plus interest accrued. Bonds will also be redeemable upon 30 days' notice, at the option of the Borrower, upon the occurrence of certain extraordinary events

**Extraordinary Mandatory Redemption:** The Series 2022 Bonds are subject to mandatory redemption in whole or part by the Issuer, at the principal amount thereof plus accrued interest to the redemption date on the 180<sup>th</sup> day after a final determination of taxability or an opinion to that effect.



## Post Issuance Compliance

In accordance with the County's Financing Guidelines for Conduit Bonds for tax-exempt bonds, the Borrower will be required to:

**(i) adopt written post issuance tax compliance policies and procedures,**

- The Borrower's standard form of tax certificate and agreement are expected to contain post issuance compliance procedures and comply with this requirement.

**(ii) enter into a contract for rebate services with a firm recognized as having expertise in performing arbitrage rebate calculations for tax-exempt bonds, and**

- The Borrower will perform their own rebate calculations internally, with assistance from a 3<sup>rd</sup> party consultant as needed. Considering the history of the Borrower and their experience with performing these calculations in the past, PFM and Special Issuer's Counsel believe this is an acceptable modification to the County's Financing Guidelines.

**(iii) enter into a contract with a continuing disclosure dissemination agent, if continuing disclosure is required under applicable laws.**

- The Borrower will continue to be responsible for posting all necessary continuing disclosure on EMMA. As a public company, the Borrower has experience with more robust corporate reporting requirements through EDGAR. Considering the history of the Borrower and their experience with providing adequate continuing disclosure in the past, PFM and Special Issuer's Counsel believe this is an acceptable modification to the County's Financing Guidelines.

## Summary and Conclusions

PFM has reviewed relevant sections of the draft Loan Agreement, the draft Official Statement (the "OS"), the draft Bond Resolution, the draft Trust Indenture and certain financial information provided by the Borrower. PFM is not obligated to undertake and has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in the draft OS or any other documents used in connection with the offer or sale of the Series 2022 Bonds. PFM is an independent advisory firm and is not engaged in the business of underwriting, trading, or distributing municipal or other public securities. Based on our review, PFM confirms that the issuance of the Series 2022 Bonds meets the County's Financing Guidelines for Conduit Bonds. In particular, the Series 2022 Bonds are expected to receive "A" category credit ratings, which serves to demonstrate the financial strength of FPL and their ability to make timely debt service payments on the Series 2022 Bonds. Included in **Appendix A** is a summary of the Borrower's recent financial operation (sourced from the Borrower's Form 10-K for Fiscal Year ended December 31, 2021).



# **Appendix A**



## **Revenue Refunding Bonds (Florida Power & Light Company Project), Series 2022**

### **Historical Financial Information**

#### **FLORIDA POWER & LIGHT COMPANY CONSOLIDATED STATEMENTS OF INCOME (millions)**

	Years Ended December 31,		
	2021	2020 <sup>(a)</sup>	2019 <sup>(a)</sup>
OPERATING REVENUES	\$ 14,102	\$ 13,060	\$ 13,680
OPERATING EXPENSES			
Fuel, purchased power and interchange	3,956	3,060	3,802
Other operations and maintenance	1,803	1,707	1,790
Storm restoration costs	28	183	234
Depreciation and amortization	2,266	2,526	2,771
Taxes other than income taxes and other – net	1,533	1,464	1,504
Total operating expenses – net	9,586	8,940	10,101
OPERATING INCOME	4,516	4,120	3,579
OTHER INCOME (DEDUCTIONS)			
Interest expense	(615)	(641)	(649)
Allowance for equity funds used during construction	132	87	66
Other – net	11	2	7
Total other deductions – net	(472)	(552)	(576)
INCOME BEFORE INCOME TAXES	4,044	3,568	3,003
INCOME TAXES	838	678	484
NET INCOME <sup>(b)</sup>	\$ 3,206	\$ 2,890	\$ 2,519

(a) Amounts have been retrospectively adjusted to reflect the merger of FPL and Gulf Power Company, see Note 6 – Merger of FPL and Gulf Power Company.

(b) FPL's comprehensive income is the same as reported net income.





**FLORIDA POWER & LIGHT COMPANY**  
**CONSOLIDATED BALANCE SHEETS**  
(millions, except share amount)

	December 31,	
	2021	2020 <sup>(a)</sup>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 55	\$ 25
Customer receivables, net of allowances of \$11 and \$44, respectively	1,297	1,141
Other receivables	350	405
Materials, supplies and fuel inventory	963	899
Regulatory assets	1,111	360
Other	142	182
Total current assets	3,918	3,012
Other assets:		
Electric utility plant and other property – net	58,227	53,879
Special use funds	6,158	5,347
Prepaid benefit costs	1,657	1,550
Regulatory assets	4,343	3,399
Goodwill	2,989	2,989
Other	775	825
Total other assets	74,149	67,989
<b>TOTAL ASSETS</b>	<b>\$ 78,067</b>	<b>\$ 71,001</b>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Commercial paper	\$ 1,382	\$ 1,551
Other short-term debt	200	200
Current portion of long-term debt	536	354
Accounts payable	1,318	874
Customer deposits	478	468
Accrued interest and taxes	322	300
Accrued construction-related expenditures	601	423
Regulatory liabilities	278	224
Other	643	948
Total current liabilities	5,758	5,342
Other liabilities and deferred credits:		
Long-term debt	17,974	16,882
Asset retirement obligations	2,049	1,871
Deferred income taxes	7,137	6,519
Regulatory liabilities	11,053	10,600
Other	502	559
Total other liabilities and deferred credits	38,715	36,431
<b>TOTAL LIABILITIES</b>	<b>44,473</b>	<b>41,773</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>EQUITY</b>		
Common stock (no par value, 1,000 shares authorized, issued and outstanding)	1,373	1,373
Additional paid-in capital	19,936	18,236
Retained earnings	12,285	9,619
<b>TOTAL EQUITY</b>	<b>33,594</b>	<b>29,228</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 78,067</b>	<b>\$ 71,001</b>

(a) Amounts have been retrospectively adjusted to reflect the merger of FPL and Gulf Power Company, see Note 6 – Merger of FPL and Gulf Power Company.



**FLORIDA POWER & LIGHT COMPANY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(millions)

	Years Ended December 31,		
	2021	2020 <sup>(a)</sup>	2019 <sup>(a)</sup>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income	\$ 3,206	\$ 2,890	\$ 2,519
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	2,266	2,526	2,771
Nuclear fuel and other amortization	174	167	178
Deferred income taxes	752	629	45
Cost recovery clauses and franchise fees	(599)	(121)	155
Recoverable storm-related costs	(138)	(69)	(180)
Other – net	(157)	35	(5)
Changes in operating assets and liabilities:			
Current assets	(49)	(164)	(42)
Noncurrent assets	(114)	(77)	22
Current liabilities	20	31	50
Noncurrent liabilities	(3)	(31)	(12)
Net cash provided by operating activities	5,358	5,816	5,501
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditures	(7,411)	(7,476)	(6,290)
Nuclear fuel purchases	(159)	(203)	(195)
Proceeds from sale or maturity of securities in special use funds	3,308	2,488	2,729
Purchases of securities in special use funds	(3,394)	(2,567)	(2,854)
Other – net	15	65	10
Net cash used in investing activities	(7,641)	(7,693)	(6,600)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Issuances of long-term debt, including premiums and discounts	2,588	3,003	2,998
Retirements of long-term debt	(1,304)	(1,603)	(200)
Net change in commercial paper	(169)	(123)	418
Proceeds from other short-term debt	—	—	200
Capital contributions from NEE	1,700	2,750	359
Dividends to NEE	(540)	(2,210)	(2,620)
Other – net	(44)	(44)	(46)
Net cash provided by financing activities	2,231	1,773	1,109
Net increase (decrease) in cash, cash equivalents and restricted cash	(52)	(104)	10
Cash, cash equivalents and restricted cash at beginning of year	160	264	254
Cash, cash equivalents and restricted cash at end of year	\$ 108	\$ 160	\$ 264
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>			
Cash paid for interest (net of amount capitalized)	\$ 586	\$ 620	\$ 614
Cash paid (received) for income taxes – net	\$ (1)	\$ 105	\$ 584
<b>SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>			
Accrued property additions	\$ 1,107	\$ 698	\$ 914
NEE's noncash contribution of a consolidated subsidiary – net	\$ —	\$ —	\$ 4,436

(a) Amounts have been retrospectively adjusted to reflect the merger of FPL and Gulf Power Company, see Note 6 – Merger of FPL and Gulf Power Company.