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BARR

Duncan & Allen LLP

REPORT

MUNICIPAL UTILITY FEASIBILITY STUDY

SEPTEMBER 19, 2025

CLEARWATER
BRIGHT AND BEAUTIFUL · BAY TO BEACH

Prepared for:
City of Clearwater, FL

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EXECUTIVE SUMMARY

The City of Clearwater, Florida (Clearwater or the City) contracted with NewGen Strategies and Solutions, LLC (NewGen) to conduct a feasibility study (Study or Feasibility Study) of the establishment of a municipal electric utility (MEU) to serve the citizens and businesses of the City. Duke Energy Florida (Duke) currently provides electric services in Clearwater, Pinellas County, and a large portion of central and northern Florida. NewGen partnered with Barr Engineering Company (Barr) and Duncan & Allen, LLP (Duncan & Allen), collectively the NewGen Project Team, to develop the assumptions, analyses, and recommendations for this Study. This report provides the results of the Study conducted by the NewGen Project Team.

Duke's electric service to the City is granted through the terms and conditions within a Franchise Agreement with the City that was signed in 1995 with Florida Power Corporation and transferred to Duke in 2012 as a result of its merger with Progress Energy. This Franchise Agreement expires on December 31, 2025, the timing of which offers the City an opportunity to evaluate different options for its electric service provider, including the creation of a potential Clearwater MEU.

The intent of this Feasibility Study was to develop an estimate of the Clearwater MEU's projected average annual system retail rate compared to an estimate of Duke's similar average system retail rate for the customers in the Clearwater area. The Clearwater MEU average system rate was developed as the total annual revenue requirement to provide service, which includes estimated operating costs, debt service payments associated with acquiring the physical assets of the Duke distribution system, and other costs. To be clear, this Study does not envision, nor would it be required, that the Clearwater MEU own or operate any generation assets to serve its load. It is assumed and generally accepted that publicly owned utilities in Florida are entitled to purchase wholesale power and transmission service through processes regulated by the Federal Energy Regulatory Commission (FERC).

The feasibility of establishing a Clearwater MEU must consider an estimate of a range of values for the acquisition of the Duke distribution assets plus other associated costs anticipated to be incurred in the process of such an acquisition. If the City determines that establishing a Clearwater MEU is feasible and chooses to move forward with this process, it must acquire Duke's existing distribution-related assets. To accomplish this acquisition, the City would incur significant fees and costs.

Operating costs for the Clearwater MEU include estimates for power supply, transmission, and operations and maintenance (O&M) of the distribution system; customer costs; and other charges. The estimated value of the Duke assets to be acquired was based on data provided by Duke, the City, and a detailed field assessment and cost analysis conducted by the NewGen Project Team. An estimate of the accumulated physical depreciation was applied to the Duke assets to develop the estimated Reproduction Cost New Less Depreciation (RCNLD) value, which, consistent with provisions in existing Florida state law, serves as the basis for the costs to acquire the distribution system. This analysis was conducted for a 30-year period beginning in 2026. This report is the result of the Study and includes descriptions of several key assumptions based on data provided by Duke, discussions with the City, the field assessment, and the NewGen Project Team's collective professional experience. There are many ways to evaluate costs of assets to be acquired for a feasibility study. This Study utilized an estimate of the RNCLD value and other costs. This approach does not constitute an appraisal of the assets to be acquired by the City in created an MEU.

The results of the analysis conducted for this Study suggest that the Clearwater MEU could potentially provide service to its customers at lower average system retail rates than those estimated for Duke while

providing reliable power to its citizens. Figure ES-1 below compares the Clearwater MEU "all-in" projected rates to those projected for Duke for each year of the Study period (2026–2055).

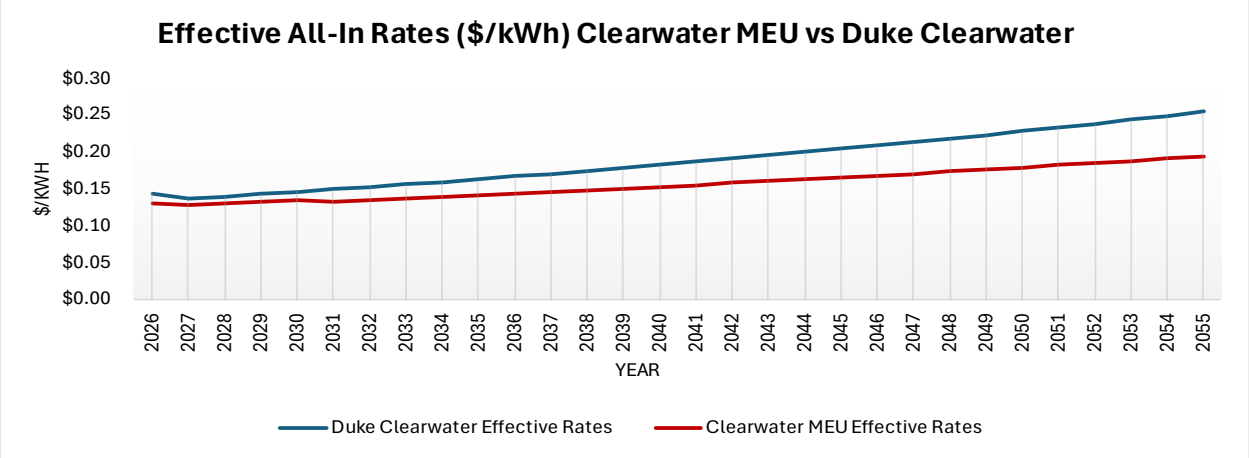

Figure ES-1. Comparison of Effective All-In Rates ($/kWh) for Clearwater MEU versus Duke Clearwater

The results suggest that for all years of the Study period, the estimated all-in effective rate for the Clearwater MEU is lower than the estimated effective all-in rate for Duke for the customers within the Clearwater MEU service territory (Duke Clearwater). For the first 5 years of the Study period, the Clearwater MEU all-in effective rate is approximately 7% lower on average than the Duke rate on an annual basis. After this initial period, the Clearwater all-in effective rate is approximately 18% lower on average than the effective Duke rate on an annual basis for the remainder of the Study period.

This analysis was predicated on several key assumptions regarding the development and operation of the costs associated with the potential Clearwater MEU. The primary drivers for the development of annual average system retail rates for the Clearwater MEU included the assumptions and estimates for the costs to acquire the system assets, future power supply costs, the separation and reintegration of the distribution system, the dissolution of any "stranded costs" claims made by Duke, and other operating costs. For this Study, the NewGen Project Team made reasonable estimates and assumptions as further described herein.

The development of a Clearwater MEU is not without potential risks to the City, including the risk that the projections developed herein prove to be incorrect. It should be noted that the assumptions developed for this Study are based on a point in time and are subject to change with changes in the economy, utility industry, and other aspects of society within and beyond the state of Florida, and such changes may have an adverse impact on the analysis developed herein. Therefore, it is critical to understand that actual results may, and likely will, vary from those contained in this report.

There are potentially significant legal challenges associated with the development of a Clearwater MEU, including those related to various state and federal statutes. At the state level, the City would likely need to compel Duke to sell its assets through a forced sale. Relevant legal precedents for public entities acquiring private utility assets specific to Florida suggest that the value of assets is related to their relative RCNLD costs, as well as consideration of "going concern" and other costs. Federal regulations provide a framework for various aspects of public acquisition of private utility assets, including potential claims of stranded costs. As discussed herein, based on the applicable state statutes, the NewGen Project Team assumed that the Clearwater MEU would not incur stranded costs in the acquisition of the Duke distribution assets.

A Clearwater MEU would provide the City with an opportunity to effectuate public policies related to electric utility operations. For the purposes of this Study, those opportunities are focused on the potential implementation of an undergrounding program as well as on potential rates to address concerns regarding affordability and economic development in the community. Conversion of overhead distribution facilities to underground would require significant investments by the Clearwater MEU; however, these investments may result in improved reliability, less need for vegetation management, and improved safety and aesthetics. For the purposes of this Study, the additional costs for undergrounding portions of the distribution system were not included to determine the feasibility of the creation of the Clearwater MEU. Additionally, rate design for individual customer classes as well as various customer-related programs to address economic development policy considerations would require the development of a detailed cost of service study. This Study did not include costs for such programs or proposed rates for customer classes to address affordability concerns.

Conclusions / Next Steps

This Study established that it is potentially financially feasible for Clearwater to establish a municipal electric utility based on the assumptions described herein. If the City decides to proceed with development of the Clearwater MEU at this time, it has the ability to identify "off-ramps" at which point it can reevaluate that decision in response to new developments, including developments in its relationship with Duke. These developments could include an incorporation of the City's policy objectives within a future Franchise Agreement with Duke. Such policy objectives could include specific future improvements in the distribution system reliability metrics or the identification and measurement of other service metrics or customer programs that address economic development concerns within the City.

The City may choose to defer the development of a Clearwater MEU at this time while it aligns its current and future Franchise Agreements in ways that may facilitate future MEU consideration. This may include (i) geographic or temporal limitations or conditions on Duke's ability to serve areas of the City where the City may wish to initiate limited municipal utility service in the future (such as solely for City electrical load); (ii) stipulations for a franchise purchase option (including price, valuation methodology, future interconnection arrangements, etc.); (iii) conditions or incentives promoting improved reliability within the City; or (iv) other conditions not yet identified. The City may also wish to develop an annexation strategy for areas around and within the City (specifically the enclaves as discussed herein) that facilitates the development of an MEU at a future date.

Section 1
INTRODUCTION

The City of Clearwater, Florida (Clearwater or the City) contracted with NewGen Strategies and Solutions, LLC (NewGen) to conduct a feasibility study (Study or Feasibility Study) of the establishment of a municipal electric utility (MEU) to serve the citizens and businesses of the City. Duke Energy Florida (Duke or DEF) currently provides electric services in Clearwater, Pinellas County, and a large portion of central and northern Florida. NewGen partnered with Barr Engineering Company (Barr) and Duncan & Allen, LLP (Duncan & Allen), collectively the NewGen Project Team, to develop the assumptions, analyses, and recommendations for this Study. This report provides the results of the Study conducted by the NewGen Project Team.

Feasibility Study

The intent of this Feasibility Study and report was to develop a framework for the evaluation of various cost estimates and a discussion of the associated legal opinions and risks related to the creation of a Clearwater MEU. This Feasibility Study is presented to the City to determine if it is in the City's best interests to establish a locally controlled Clearwater MEU. The analysis herein was designed to determine if the potential acquisition, start-up, and operation of the distribution assets within the MEU service territory could result in a lower annual "all-in" rate on a dollars per kilowatt hour ($/kWh) basis compared to Duke over a projected period of 30 years (2026–2055, defined as the Study Period).

Feasibility Study Elements

The following list highlights the Feasibility Study elements:

- Define the potential Clearwater MEU service territory area, which includes areas beyond the current municipal boundary.
- Determine estimated equipment quantities and their associated value to develop the Reproduction Cost New Less Depreciation (RCNLD) for the electric distribution system assets to be acquired from Duke, consistent with provisions of existing state law.
- Determine an estimated purchase price for the acquisition of the electric distribution system, including going concern and other costs, consistent with provisions of existing state law.
- Develop estimated wholesale power prices for the Clearwater MEU to purchase electricity from Duke under the provisions of an "all-requirements" contract, similar to those currently provided to MEUs within the state of Florida and as approved by the Federal Energy Regulatory Commission (FERC).
- Develop estimated electric transmission costs based on both the assumptions regarding the usage characteristics for the collective Clearwater MEU service territory customers and the published Duke tariffs for wholesale transmission (Open Access Transmission Tariffs [OATT], as required by FERC).
- Determine estimated start-up, financing, operations and maintenance (O&M), and administrative and general (A&G) costs utilizing publicly available data, information provided by Duke, and the NewGen Project Team's professional experience. Determine non-operating costs, including a payment to

replace annual funds currently provided by Duke to local taxing jurisdictions to reduce the potential of negative impacts on government finances because of the creation of a potential Clearwater MEU.

- Estimate and project annual operating and non-operating costs associated with the ownership and operation of a potential Clearwater MEU to develop an annual effective "all-in" rate for MEU service (i.e., total revenue requirement divided by total sales).
- Estimate and project an annual effective "all-in" rate for continued Duke service based on an estimate of the composition of customer types within the Clearwater MEU, information provided by Duke, and information obtained from the most recent Duke rate proceedings at the Florida Public Service Commission (FPSC).
- Review, summarize, and provide an opinion regarding relevant federal and state legal and regulatory processes for the development and creation of a Clearwater MEU.
- Prepare a report that presents the results of the Feasibility Study and present results to Clearwater City Council upon request.

Feasibility Study Process

The Feasibility Study process included a detailed field assessment of the Duke assets within and surrounding the City. This was accomplished by Barr representatives who were on site from January 3 to January 14, 2025. During this time, Barr conducted a sampling survey of the equipment types and a general assessment of the condition of the Duke electric delivery assets in the field. Around this time, the NewGen Project Team provided a data request to Duke for information on its assets in and around the City.

Duke – Provided Data

The NewGen Project Team submitted a data request to Duke on January 8, 2025. Subsequently, NewGen entered into a Non-Disclosure Agreement (NDA) with Duke to protect non-public data provided for this Study. Duke provided operations and customer class data for its electric customers within the municipal boundary of Clearwater based on its inventory data and Geographic Information System (GIS). The summary-level data provided herein represents information that was either publicly available or was derived from the confidential information provided by Duke.

The information provided included billing data by customer class (which excluded customer-specific information) and coincident peak demands and their dates / times by month by rate class, including demands at the time of the Duke system peak and the time of the Clearwater system peak, as well as similar data for the non-coincident peaks by class. Further, Duke provided historical demand and energy loss data as well as projections of demand by rate code and rate class. Duke provided GIS maps for its distribution feeders that cross the Clearwater municipal boundary as well as information on the types and sizes of electrical equipment on its distribution systems within the City, including conductors, transformers, reclosers, capacitors, regulators, switches, and other related equipment, including electric meters.

Duke also provided information on its distribution automation systems, including communications facilities, and equipment. Duke shared information regarding the existing substations (discussed in detail below) that included single-line diagrams, general arrangements and types of equipment within each substation, substation transformers and related equipment and transmission-related equipment, and information on specific equipment ratings and age. Age-related information on the assets provided by

Duke was limited due to historical practices for internal recordkeeping. Therefore, the age-related data was valid for the assets installed around the year 2000 and beyond, while the age-related data for assets installed prior to 2000 was estimated by Barr during their field assessment. Duke provided an on-site tour of its distribution system within the City to representatives of the NewGen Project Team on March 10, 2025.

It should be noted that in our opinion, Duke's willingness to provide detailed data on its operations, equipment, and customers within the Clearwater municipal boundary was unusual with respect to our history of performing similar types of feasibility studies. Generally, the incumbent utility is not responsive to data requests and is unwilling to provide any insight into its operations within a municipal jurisdiction. The level and degree of data provided by Duke increased the accuracy of our analysis, and therefore the results provided to the City are more robust than if the analysis were based solely on assumptions regarding the system data. We appreciate and commend Duke for its willingness to be open and transparent in providing its assistance with this Study.

Purchase Cost Estimate / Methodology

Any analysis of the feasibility of establishing an MEU must consider an estimate of a range of values for the acquisition of the Duke distribution assets, plus other associated costs anticipated to be incurred in the process of such an acquisition. If the City determines that establishing a MEU is feasible and chooses to move forward with this process, it must acquire Duke's existing distribution-related assets. To accomplish this acquisition, the City will incur significant fees and costs.

Florida law provides for three potential methods of acquisition of privately held assets by a public entity. These include a negotiated purchase and sale of assets, a franchise purchase option, and use of eminent domain. Duke has indicated that its assets are not available for a negotiated purchase, and the current franchise does not include a provision for a franchise purchase option. If the City utilizes statutory process of eminent domain, Section 73.0715 of the Florida state statute will control the legal basis for evaluation and determination of value for the assets to be acquired from Duke (F.S.A. § 73.0715).

While Section 73.0715 applies specifically to condemnation proceedings, for over a century other Florida proceedings regarding the valuation of electric distribution systems, including franchise purchase options arbitrations, have routinely applied the RCNLD methodology. The RCNLD methodology is an estimate of the present costs to newly construct the electric facilities to be acquired (reproduction costs) to which the accumulated depreciation associated with the assets is applied. The accumulated depreciation is a discount to the cost value that is an estimate of the remaining useful life of the assets to be acquired. Key franchise purchase option rulings under Florida law that relied on the RCNLD methodology include the Orlando, Casselberry, Winter Park, South Daytona, and Bushnell arbitrations. Given this precedent, as well as the express rejection of other value techniques in both arbitration decisions and the statute, this Study utilized the RCNLD method to estimate the purchase costs for the City to acquire the distribution-related assets from Duke.

In addition to the RCNLD costs of the distribution-related assets as discussed herein, the City's cost to purchase these assets must also include other related costs. These include the fair market value of the interest of real value associated with the distribution-related facilities, the going concern value, and severance damages to the remainder of the Duke distribution system caused by the acquisition of these assets. Severance damages could include the separation and reintegration costs. These are costs for investments required to be made by the City to be able to electrically isolate the MEU and Duke electric distribution systems around the service territory area, as discussed in detail herein. Further severance costs may include payments made by the City for Duke's distribution-related assets that the City does not

acquire but that would become isolated and unusable to Duke after the acquisition. Importantly, severance damages do not include stranded costs as defined by FERC, which would be unavailable to Duke in this case, as described more specifically herein.

When using eminent domain (as opposed to a contractual franchise purchase option), the City must also consider attorney fees and expert costs, which can be significant. Under Florida's eminent domain law, Duke is entitled to a 12-person jury trial, and the City would be responsible for paying not only its attorney fees and expert costs, but also Duke's attorney fees and expert costs.

Study Limitation

The development of the estimated value of the distribution-related assets to be acquired by the City as determined for this Study should not be considered an appraisal of these assets. This Study did not include an indicator of value associated with a discounted cash flow (income approach) or an assessment of comparable sales (market approach). The RCNLD value, including other costs, developed herein is sufficient for the purposes of a feasibility study. If the City decides to move forward with the acquisition of the Duke distribution-related assets within the Clearwater MEU service territory, as defined herein, it is likely that a detailed appraisal of these assets will need to be conducted.

Section 2
ACQUISITION COSTS / MEU SERVICE TERRITORY

Description of Duke Assets

As indicated, the NewGen Project Team developed an understanding of the electric delivery-related assets within and around the City based on information provided by Duke as well as an intensive field investigation. This process included detailed analysis and asset assessment of approximately seven separate and non-contiguous areas within the proposed Clearwater MEU service territory, which included areas along the northern portion of the City, an area adjacent to Old Tampa Bay, an area in close proximity to Highland Pines, the downtown area, an area south of downtown, and two distinct areas by the beach and Clearwater Bay (including portions of Clearwater Beach Island and Sand Key). The following is a description of the Duke assets that provide electrical service to customers within and around the City's municipal boundary.

There are ten electrical substations that serve distribution at 12.47 kilovolt (kV) and 7.2 kV loads located within the MEU service territory (see description below). Seven of these substations are located either to the north or the south of the City's current municipal boundary (generally along Curlew Road on the north and Belleair Road on the south). Two of these substations (East Clearwater Substation and Bayview Substation) are located within "enclaves" that are unincorporated areas surrounded by the City. One substation, Clearwater Substation, is located within the City's municipal boundary.

There are approximately 31 distribution voltage feeders that originate within these three substations. Portions of these feeders serve load within the potential MEU service territory, and some serve areas beyond the MEU service territory. Duke did not provide detailed information on specific feeder routing, substation loads, and capacity utilization; therefore, it was assumed for the purposes of this Study that the MEU would acquire the entirety of the distribution assets in each of the three substations within its proposed service territory (specifically Clearwater Substation, East Clearwater Substation and Bayview Substation). The distribution assets within each substation include the power transformers and associated high-side isolation/protection devices as well as the distribution buses and the feeder breakers. To be clear, all transmission voltage assets (defined as 69 kV and above), including those within the MEU service territory, would remain the property of Duke. A detailed separation / reintegration plan would be required to construct facilities to serve the Clearwater MEU customers from these three substations and to serve Duke customers from the remaining seven substations (see Separation / Reintegration Plan section below).

The NewGen Project Team, specifically Barr, created base-level GIS maps from satellite and aerial photography, field reconnaissance, and information provided by Duke. These maps, excluding confidential information, were utilized to estimate the field asset quantities. Figure 2-1 is a map of the City's municipal boundary and the location of the three substations discussed above. Figure 2-2 is a map of the proposed MEU service territory. Figure 2-3 is a map of the sampled areas used to develop a detailed understanding of the assets of the entire MEU service territory (including a summary of the data collected from mapping and field investigations). Figure 2-4 provides a detailed map of one of the detailed sample areas on and around Pasadees Key, including the Clipper Cove and Island Estates communities.

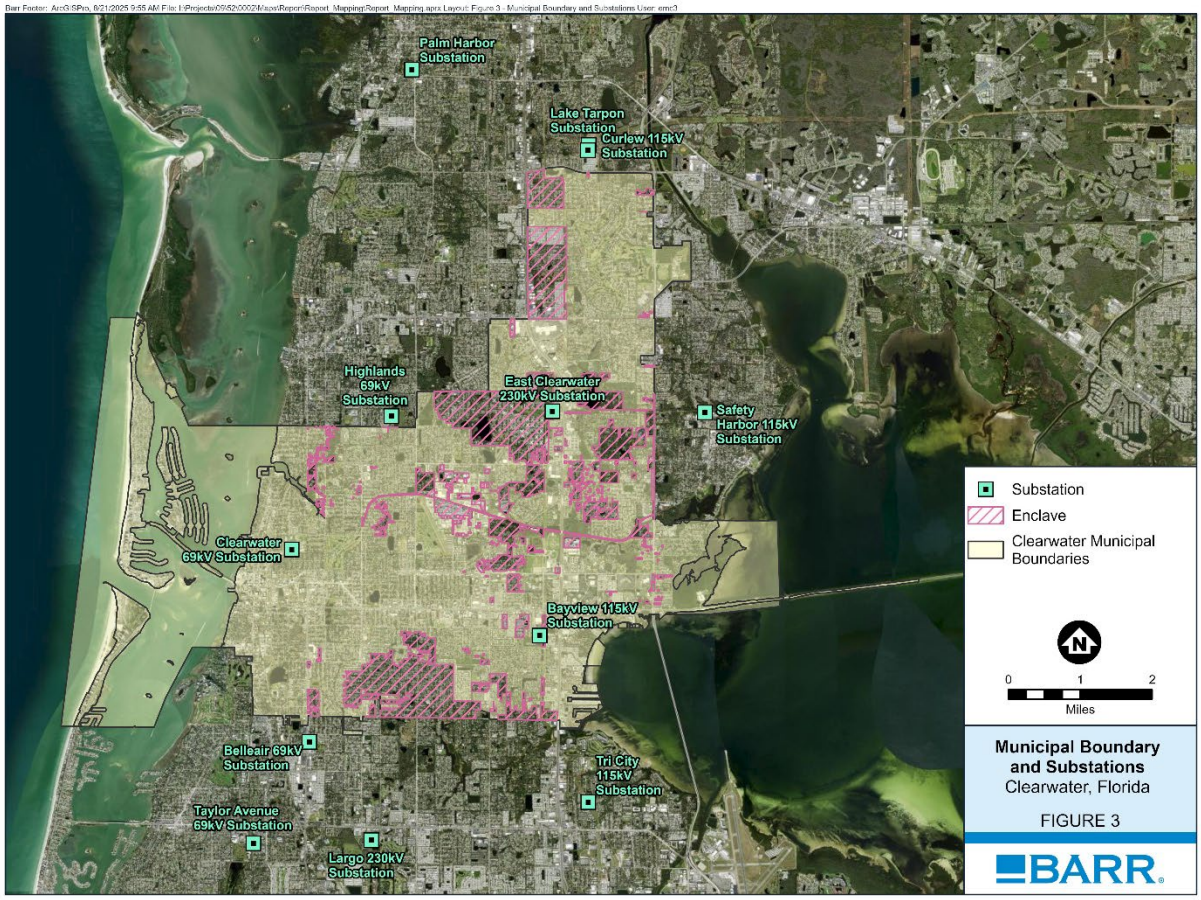

Figure 2-1. Clearwater Municipal Boundary (Source: Barr Engineering)

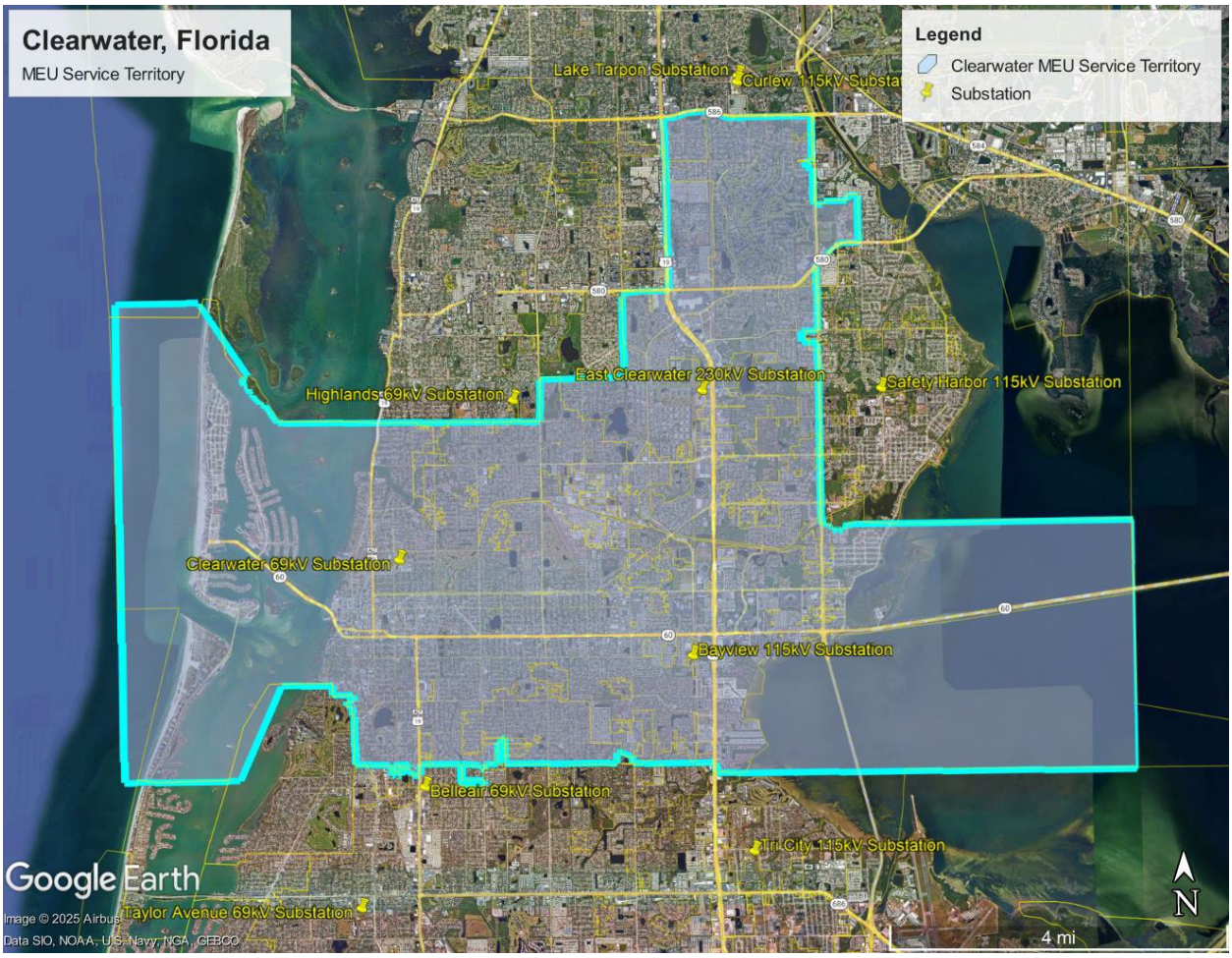

Figure 2-2. Proposed Clearwater MEU Service Territory Boundary (Source: Barr Engineering)

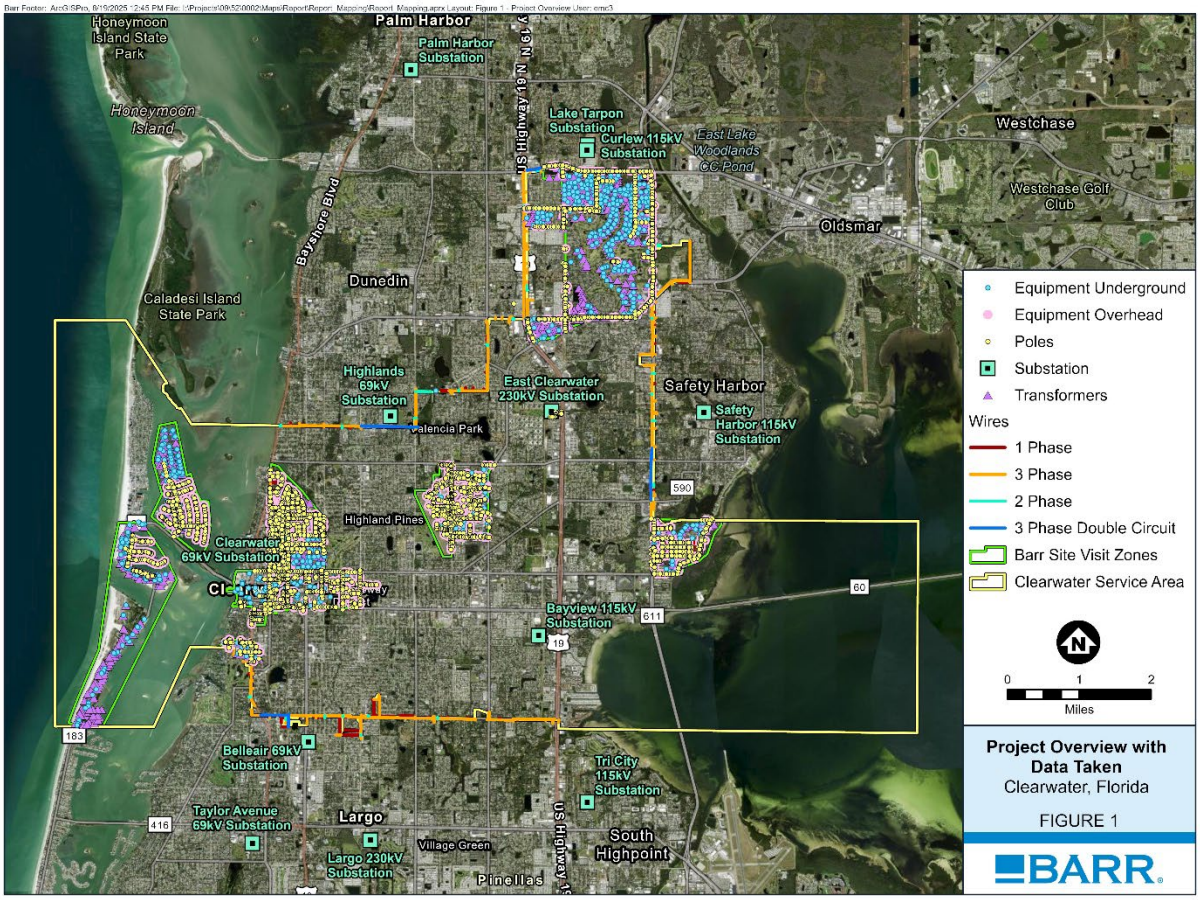

Figure 2-3. Clearwater MEU Service Territory with Sampled Areas Identified (Source: Barr Engineering)

Figure 2-4. Portion of Clearwater MEU Service Territory with Sample Assets (Source: Barr Engineering)

The field review and data provided by Duke resulted in the development of an initial estimate of the size, type, and estimated age of assets within the potential Clearwater MEU area. A summary of the findings from the field review is provided in Table 2-1 below.

Table 2-1
Estimated Asset Quantities to be Acquired from Duke within the MEU Service Territory (1)

FERC Account	Description	Quantity (ft. or units) (2)
362	Substations	3
364	Poles, Tower, and Fixtures	2,054,000
365	Overhead Conductors and Devices	2,054,000
366	Underground Conduit and Direct Burial Installations	129,500
367	Underground Conductors and Devices	129,500
368	Transformers	11,429
369	Services (3)	2,391,444
370	Meters	84,400
373	Streetlights and Decorative Poles	26,041

(1) Estimated asset quantities include facilities in the enclave areas based on 2025 values.
(2) Estimated linear feet from GIS mapping. Accounts 362, 368, 370, and 373 are in units.
(3) Services include non-linear units (pedestals, pull boxes, cabinets) which are not included in the value above.

Figure 2-5 below is a picture of the existing Clearwater Substation (which is entirely within the City's municipal boundary).

Figure 2-5. Clearwater Substation

Clearwater MEU Service Territory

As indicated in Figures 2-1 and 2-2, there are differences between the area of the City's existing municipal boundary and the potential Clearwater MEU service territory. Most of these differences are due to the "enclaves" that are located within the City. These enclaves are areas that are legally outside of the City's municipal boundary. However, residents and businesses located within these enclaves are served by the City's primary municipal functions, including water and wastewater utility services, natural gas utility services, and first responder services.

For the purposes of this Study, the NewGen Project Team assumed that these enclaves would be provided with electrical service by the potential Clearwater MEU. Based on calculations of the density of customers within the municipal boundary and the GIS mapping information provided and developed for this Study, the NewGen Project Team estimated that these enclave areas (and the greater MEU service territory) represent an approximate 20% increase to the electric load within the City boundary as well as a similar increase in assets. Therefore, the asset values and related valuation estimates provided herein were adjusted accordingly. Additionally, it was assumed that the customer classes and usage characteristics within these areas are similar to those within the existing municipal boundary (i.e., they are no different than the general composition of the customer class data provided by Duke for the City). In addition to the enclaves, the NewGen Project Team assumed an MEU service territory that generally includes "regular and reasonable" boundary (such as a linear segment of a main road) instead of the current irregular municipal boundary of the City.

Asset Value

The NewGen Project Team utilized the information provided by Duke and developed from the field and GIS inventories to produce an estimate of the value of the assets utilizing the RCNLD approach. RCNLD is an industry term for estimating the value associated with reproducing existing assets with the same or similar new equipment, adjusted to reflect accumulated physical depreciation of the actual assets. The NewGen Project Team used the field assessment and obtained budgetary information for the various new equipment, devices, and associated labor for installation. Cost estimates were developed using 2025 pricing estimates and were based on the Association of the Advancement of Cost Engineering's (AACE) Class 5 Estimate, defined as within the range of -50% to +100%, which is an appropriate range of cost estimating for the purposes of this Study. The NewGen Project Team also developed an estimate of the age of the assets reviewed for the purpose of determining the amount of depreciation or useful life left within the system. This was based on a combination of data provided by Duke and our team's professional experience. The results of the field investigation indicate that, on average, the equipment currently serving the MEU service territory area has incurred approximately 53% of accumulated depreciation relative to its useful life.

For the purposes of this analysis, an estimate of adjusted RCNLD values as a potential purchase price was developed which is reflective of Florida statutes and court opinions regarding compensation for privately held assets by public entities. Estimates of accumulated depreciation were derived from industry survivor curves and applied to each class or group of assets as applicable. Table 2-2 provides a summary of the replacement costs, the accumulated depreciation, and the RCNLD values for each asset class by FERC account. The total RCN estimate was approximately $694 million whereas the RCNLD estimate was approximately $326 million. These values were adjusted to account for the estimated assets located within the larger Clearwater MEU service territory. The estimated accumulated depreciation for the MEU system was approximately 53% as of the time of this Study (i.e., 47% of the RCN value is remaining). In addition, for the purposes of this Study, the total estimated acquisition value was assumed to include an

adjustment for “going concern” based on internal discussions and a review of historical adjudicated cases in Florida in which a government entity obtained private utility assets (see the Legal/Regulatory Analysis section).

Table 2-2
Estimated Clearwater MEU Service Territory Acquisition Value

FERC Account	Description	RCN	Depreciation %	RCNLD
362	Substations	$47,900,944	53%	$22,420,959
364	Poles, Tower, and Fixtures	$111,297,928	65%	$39,158,038
365	Overhead Conductors and Devices	$85,321,209	62%	$32,282,969
366	Underground Conduit and Direct Burial Installations	$16,365,802	32%	$11,188,257
367	Underground Conductors and Devices	$18,738,634	40%	$11,234,728
368	Transformers	$185,640,562	52%	$89,850,330
369	Services	$34,210,299	51%	$16,631,676
370	Meters	$125,361,514	55%	$55,994,809
373	Streetlights and Decorative Poles	$69,695,109	32%	$47,276,516
Total Asset (1)		**$694,532,001**	**53%**	**$326,038,282**
N/A	Land / Easement Estimated Value (2)			**$12,000,000**
Total Acquisition Value (3)				**$370,642,110**

(1) RCNLD value for total assets in potential MEU service territory, excluding land.
(2) Land / Easement estimated value derived from taxing authority records; land does not depreciate (see text).
(3) Total Acquisition Value incorporates estimated value for going concern premium and land / easement value, excludes severance / reintegration cost estimate (see text).

Value of Land, Easements, and Rights of Way

To evaluate the potential value of land to be acquired by the Clearwater MEU, a review of the Pinellas County taxing authority's records was conducted. The total taxable value of the collective properties in Pinellas County that are within the City taxing district was estimated to be approximately $12 million. This presumably includes the Duke Operations Center as well as other equipment and improvements made within the City, in addition to the land on which the electrical distribution and other equipment is located. The property records state that these properties are for the "Electric Power Company (Florida Power, Tampa Elec.) Easement, Office & Sub-Station." For the purposes of this Study, a detailed examination to determine the value of each property parcel within the City was not conducted, nor was precise title information associated with each parcel reviewed. Rather, the taxable value as recorded by the tax assessor's office of Pinellas County was utilized as a proxy for the value of the land and easements to be acquired. This value, estimated to be approximately $12 million, was added to the estimated acquisition price as presented in Table 2-2.

It is recognized that the taxable value of the improvement and land for each parcel may or may not be reflective of their fair market value. The taxable value may overstate or may understate the fair market value of these assets. If the City pursues development of the Clearwater MEU, a detailed appraisal of the assets to be acquired, including the value of the land in easements and in fee, will likely need to be conducted. This Study assumed that the electric distribution lines are located in the municipal rights of way, which are already owned by the City. Therefore, no additional specific value was ascribed to the rights of way for the purposes of this Study.

Clearwater MEU Electric Load

Duke provided a 10-year forecast for electric load for its entire operations in Florida. This included an increase in the total number of customers served but no increase in the energy usage per customer served. This is a reasonable assumption given the general increase in energy efficiency appliances / programs and increased participation in distributed (on-site) generation, which may offset the general increase in electrical usage due to electric vehicles and other electrification efforts. The NewGen Project Team utilized the growth projections for customers to apply to the number of customers within the Clearwater MEU service territory to determine an estimate of the total usage over the Study period. The number of electric service customers within the MEU service territory in 2026 was estimated to be approximately 87,000. Table 2-3 provides a summary of the customers and load by customer class for 2026.

Table 2-3
2026 Estimated Number of Customers and Load for Clearwater MEU Service Territory (1)

Customer Class	Number of Customers	kWh/Month/ Customer	Total Annual kWh Sales (2026)
Residential	75,944	891	811,933,529
Commercial	10,212	6,352	778,428,925
Industrial	77	54,818	50,405,231
Public Authority	743	15,252	135,903,084
Lighting	464	327	1,820,497
Total	**87,440**		**1,778,491,267**

(1) Estimated customers and load by class based on information provided by Duke (see text).

2026 Average Effective Retail Rate

The NewGen Project Team determined the average effective all-in retail rate for customers within the Clearwater MEU service territory from an analysis of average effective retail rates published by Duke by customer class as a result of the settlement agreement with the Florida PSC in March 2025 (Docket No. 202400025-EI). This settlement docket provided published rate increases by Duke for 2025, 2026, and 2027. Based on a historical analysis of FPSC-approved rates for Duke, it was assumed that beyond 2027, Duke rates will increase at the general rate of inflation of 2.2% as published by Blue Chip Economic Indicators, Inc.

Table 2-4 provides a summary of the analysis developed for the Duke average effective all-in retail rate by customer class for the Clearwater MEU service territory for 2026. This analysis was based on the total retail sales for each customer class times the various rate components included in Duke's published tariff, divided by the total average annual electrical load (in kWh). This included base rates as well as the various rate adjustments, taxes, and riders applicable to customers within the City.

Table 2-4
2026 Average Effective All-In Retail Rates ($/kWh) for Duke Customers by Class for Clearwater MEU

Customer Class	Average Annual Load (kWh)	Average Rate 2026 $/kWh (1)
Residential	811,933,529	$0.1778
Commercial	778,428,925	$0.1159
Industrial	50,405,231	$0.0734
Public Authority	135,903,084	$0.1229
Lighting	1,820,497	$0.3119
Total	**1,778,491,267**	**$0.1437**

(1) Average effective all-in rates for 2026 is the average rates by customer class from Duke as approved in Florida PSC rate case (see text).

Severance / Reintegration Plan

As indicated herein, if the Clearwater MEU were formed from the existing Duke distribution assets, it would be incumbent on the City to develop and implement a detailed severance and reintegration plan that would allow for two distinct distribution systems to operate independently. A preliminary estimate of the cost of such a severance / reintegration plan to allow for this configuration was included in the financial analysis for the purposes of this Study. A detailed severance / reintegration plan should be developed if the City decides to move forward with the development of the Clearwater MEU. This plan would detail the costs and investments required to allow for reliable electric service for customers who are served by the Clearwater MEU (within the MEU service territory) and for customers who continue to be served by Duke (beyond the MEU service territory but from infrastructure within that area). To be clear, the development of a detailed severance / reintegration plan was not part of this Study; however, an estimate of the costs associated with severance and reintegration was included as part of the projected Clearwater MEU revenue requirement.

To effectively sever and reintegrate the system, the City would need to make improvements and install equipment at various locations within the MEU service territory. The substation construction would include new control enclosures as well as switching, interrupting, metering, and protection equipment to isolate each substation power transformer high voltage primary connection from the transmission system buses. The distribution system would require construction of overhead and underground distribution lines around the border of the MEU service territory to serve Duke customers outside the border and MEU customers inside the border. Additionally, this distribution construction plan would need to include feeders to connect the border feeder circuits to different substations as necessary.

Long-Range Capital Plan

As the owner and operator of the Clearwater MEU, the City would need to establish a detailed process to invest in the system assets as soon as they are acquired from Duke. Typically, this process involves the development of a detailed "Long-Range Capital Plan." For the purposes of this Study, the NewGen Project Team assumed a "high-level" long-range capital investment plan that covered a 20-year period. This capital plan would be intended to replace aging facilities and add new construction to address load growth within the Clearwater MEU service territory. The plan was based on the assessed age and condition of the existing facilities as developed for this Study and used new reproduction cost estimates for the assets to be replaced based on 2025 costs (and escalated at inflation). To be clear, the development of a detailed Long-Range Capital Plan was not part of this Study; however, an estimate of the costs associated with future capital investments was included as part of the projected Clearwater MEU revenue requirement

Specific facility improvements include those to the distribution substations to be acquired by the City, which would require equipment replacements based on their current age and condition relatively early during the Study period (estimated at Year 5) and ongoing replacements over time. The assumption for distribution investment was the addition of the equivalent of one substation at Year 15 to address future growth. Other equipment to be replaced would include overhead distribution facilities (approximately 30% of existing facilities over the Study period), underground distribution facilities (replacement of 10% of existing cables and devices in Years 10 to 20), overhead and pad-mounted distribution transformers (approximately 20% of existing facilities over the Study period), and service conductors (approximately 5% of the existing facilities over the Study period). The distribution plan also included replacing approximately 20% of existing smart grid meters in the first 5 years, then the remainder of the smart grid meters over Years 6–20 and approximately 20% of the streetlights over the Study period. All these investments were projected to increase with system growth by approximately 10% over the next 20 years. Further, the projected capital investments included adding a new distribution automation system in the first 5 years as well as equipment for a new control center in the first 2 years after the creation of the Clearwater MEU.

Clearwater MEU Organizational Structure

There are a variety of organizational structures that the City could consider when developing an MEU. The two most likely organizations are a department of the City or a Utility Authority / Commission. Each organizational structure has advantages and disadvantages relative to operations, management, rate setting, and other considerations.

The City has owned and operated a natural gas utility in the region since 1923. Currently known as "CGS Energy," the utility supplies natural gas distribution services to approximately 28,000 customers across northern and central Pinellas County and western Pasco County. CGS Energy's organizational infrastructure provides the City with a potential opportunity to leverage the operational expertise; organizational mindset; and especially the accounting, finance, billing, and management infrastructure to stand up and operate a potential MEU.

An electric department of the City can generally be formed by ordinance and/or other action of the City. Forming the MEU as a department would allow the new utility to take advantage of the finance, accounting, and billing systems and the institutional knowledge inherent in CGS Energy. As a department of the City, the strategic direction of the potential MEU could be influenced by the policy directives of the City Council. This could relate to the costs of operations, including future capital investments (see discussion of undergrounding select distribution assets), as well as cost recovery policies (i.e. the rate-setting process for each customer rate class). Some municipal entities place value on the ability of their

Council to provide policy input to the MEU's overall mission and strategies, whereas some entities prefer to reduce the "political risk" that can be associated with the rate-setting process.

It is our understanding that special utility authorities or commissions in Florida may either be formed by a county or a municipality, according to state statutes. Such an entity may be either considered "independent," with a Board of Directors (Board) elected by those who live within the service area, or "dependent," with a Board appointed by another political entity, such as the City. Such a structure may provide the City with flexibility to maintain the mission and overall strategy of the authority or commission (if a dependent board is created), or it could insulate the operations of the utility from the City with an independent board. Operating the MEU as an authority or commission, however, would generally preclude the ability of the City to leverage the synergies previously discussed with CGS Energy.

Regardless of the structure of the Clearwater MEU, the organization must be formed to effectively provide for planning, operations, and financial solvency. In our opinion, the current form of CGS Energy seems to be both viable and fairly typical of utilities with which we are familiar. If the Clearwater MEU were formed as a City department, the finance, accounting, and billing operations of CGS Energy could potentially be shared, providing significant synergies and potentially reducing costs for the Clearwater MEU operations.

MEU Implementation

Creating a Clearwater MEU is not without risks to the City. These risks may include legal challenges by Duke to the assumptions developed herein as well as to the overall process to obtain the assets and establish a Clearwater MEU. The acquisition of physical assets generally makes it more difficult for an opponent of municipal utility implementation to impede that implementation, while judicial or administrative proceedings generally provide an opponent of municipalization with opportunities to impose cost and delay and to impede the municipal utility's implementation. Florida state statute governing the acquisition of private assets by a public entity provides some certainty in the process of forming an MEU for the City. However, this process may be lengthy and would require significant fees and costs to the City. These costs, as identified herein, are subject to interpretation and may vary significantly from the estimates used to develop this Study. Further, if the City were successful in acquiring the Duke distribution-related assets through an eminent domain action, it would be responsible for not only its attorney fees and costs, but also the attorney fees and expert costs incurred by Duke in the process.

Section 3
LEGAL/REGULATORY ANALYSIS

Relevant State Law Considerations

Florida state law (Section 73.0715) includes a provision for the valuation of electric utility property for entities that seek to appropriate privately held assets. Specifically, this section of state law indicates that a 12-person jury will determine the amount of compensation to be paid for acquisition of "property used for the generation, transmission or distribution of electric energy." The compensation is defined as to include the reproduction cost of the property, less depreciation, together with going concern value. Further, the statute indicates that when less than the entire property is sought to be appropriated, any damages to the remainder caused by the taking will be included in the compensation.

For the purposes of this Study, the Florida state law's valuation language was interpreted to mean that the asset valuation is based on the estimated RCNLD values utilized herein. As indicated, these values were adjusted to reflect the going concern value stated in the statute, based on discussions with the City. Because the City is contemplating taking only a portion of the Duke property (only the areas within the proposed MEU service territory), the "damages" were assumed to be equal to the costs estimated for the severance and reintegration (see Section 2). More specifically, the state statute does not include a provision for stranded costs, which was assumed to be unavailable to Duke as discussed herein.

To be clear, the analysis prepared for this Study was developed as an estimate of the potential value of the assets to be acquired by the City in the formation of the Clearwater MEU. This Study was not designed as, nor does it proport to be, a detailed valuation or appraisal of the assets to be acquired by the City. Such a detailed valuation and appraisal may be required if the City decides to move forward with the development of the Clearwater MEU.

Relevant Federal Regulation of Electric Utilities

Under Part II of the Federal Power Act (FPA) (16 U.S.C. §§ 824-828c), FERC regulates (i) the transmission of electric energy in interstate commerce and (ii) the sale of electric energy at wholesale in interstate commerce (16 U.S.C. § 824(b)(1) to the extent that these activities are undertaken by a "public utility," an expression which means a person who owns or operates facilities subject to the jurisdiction of FERC under FPA Part II (16 U.S.C. § 824(e)). The expression "public utility" in the FPA does not include, as far as is relevant to this discussion, "the United States, a State, or any political subdivision of a State, . . . or any agency, authority, or instrumentality of any one or more of the foregoing, or any corporation which is wholly owned, directly or indirectly, by any one or more of the foregoing, or any officer, agent, or employee of any of the foregoing" because those entities are exempted from FPA Part II unless a specific provision of that statute makes specific reference to such an entity.

In general, the Clearwater MEU would be exempted by Section 201(f) of the Federal Power Act from certain provisions of the Federal Power Act (notably, Sections 205 and 206) and related regulations, with the exceptions related to reliability, registration requirements, and other administrative matters. Specifically, the Clearwater MEU would not be subject to rate regulation by FERC; however, it is possible that it could be subject to certain regulations established by FERC governing the acquisition and management of utility assets by municipal electric utilities.

This section of the Study addressed federal regulatory issues that may affect the City's proposed formation of the Clearwater MEU. These issues include (1) access to transmission services, (2) claims to compensation for "stranded costs" by Duke, and (3) the City's ability to secure wholesale power supply from Duke following the formation and activation of an MEU.

Open Access Transmission

In 1996, FERC adopted a Rule that brought investor-owned and municipal utilities into more direct contact in the area of electricity transmission. First, in its initial Open Access Rule[1] fortified by two subsequent rulemakings,[2] FERC established the obligation of investor-owned transmission-owning utilities subject to its jurisdiction to provide tariff-based "Open Access" transmission service to all Eligible Customers.[3] Concomitantly, FERC imposed the obligation on non-jurisdictional consumer-owned utilities exempted by FPA Section 201(f) to provide "reciprocal" open access transmission service over their transmission facilities as a condition of obtaining open access service over the facilities of their investor-owned neighbors.

One immediate concern raised by investor-owned utilities concerning FERC's open access transmission directive was that the mandatory open access service required by FERC's new open access regime could be used by existing and newly formed municipal utilities to escape from long-term wholesale or retail power supply obligations to take service from other suppliers using the transmission system of their incumbent former suppliers. To avoid the possibility that such a rush to the exits might leave incumbent utility shareholders, or the less agile customers of the incumbent utility, at a disadvantage, FERC's Open Access Rule established that incumbent transmission-owning utilities could recover "stranded costs" from departing retail-turned-wholesale customers.

Should the City decide to proceed with the formation of an MEU, it would very likely need to apply for and obtain network transmission service under Duke FERC-filed OATT. That process would involve (1) an application for network integration transmission service, (2) a system impact study, (3) a facilities study,

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[1] *See Promoting Wholesale Competition Through Open Access Non-Discriminatory Transmission Services by Public Utilities; Recovery of Stranded Costs by Public Utilities and Transmitting Utilities*, Order No. 888, FERC Stats. & Regs. ¶ 31,036 (1996), *order on reh'g*, Order No. 888-A, (1997), FERC Stats. & Regs. ¶ 31,048, at p. 30,508, 78 FERC ¶ 61,220 (1997), *order on reh'g*, Order No. 888-B, 81 FERC ¶ 61,248 (1997), *order on reh'g*, Order No. 888-C, 82 FERC ¶ 61,046 (1998), *review den. sub nom. Transmission Access Policy Study Group v. FERC*, 225 F.3d 667 (D.C. Cir. 2000), *aff'd sub nom. New York v. FERC*, 535 U.S. 1 (2002) ("Order No. 888"), *codified at* 18 C.F.R. § 35.28 ("Open Access Rule").

[2] *Preventing Undue Discrimination and Preference in Transmission Service,* Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 586, *order on reh'g*, Order No. 890-A, FERC Stats. & Regs. ¶ 31,261, *order on reh'g*, Order No. 890-A, FERC Stats. & Regs. ¶ 31,261 (2007), *order on reh'g*, Order No. 890-B, 123 FERC ¶ 61,299 (2008), *order on reh'g*, Order No. 890-C, 126 FERC ¶ 61,228, *order on clarification*, Order No. 890-D, 129 FERC ¶ 61,126 (2009) ("Order No. 890"), and *Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities*, Order No. 1000, FERC Stats. & Regs. ¶ 31,323 (2011), *order on reh'g*, Order No. 1000-A, 139 FERC ¶ 61,132, *order on reh'g and clarification*, Order No. 1000-B, 141 FERC ¶ 61,044 (2012), *aff'd sub nom. S.C. Pub. Svc. Auth. v. FERC*, 762 F.3d 41 (D.C. Cir. 2014) ("Order No. 1000").

[3] FERC's *pro forma* Open Access Transmission Tariff (available at this link: Pro Forma OATT - effective March 14, 2022 | Federal Energy Regulatory Commission), Section 1.12, defines "Eligible Customer" as follows: "Any electric utility (including the Transmission Provider and any power marketer), Federal power marketing agency, or any person generating electric energy for sale for resale is an Eligible Customer under the Tariff." The expression "electric utility" is defined in Section 3(22) of the Federal Power Act (16 U.S.C. § 796(22)) to mean "a person or Federal or State agency" including a State or any political subdivision of a State "that sells electric energy."

and (4) a facilities agreement should it prove necessary that Duke construct new facilities to serve the City as a wholesale and transmission customer. These processes are outlined in Sections 28 through 35 of the Joint Open Access Transmission Tariff of Duke Energy Carolinas, LLC, Duke Energy Florida, LLC, and Duke Energy Progress, LLC, and can be explored in greater depth as the City's plans develop. As indicated herein, it was assumed for the purposes of this Study that the Clearwater MEU would obtain transmission-level service from Duke through its published OATT.

Stranded Costs

"Stranded costs" is a term of art and regulation applied in the context of electric deregulation. For the sole purpose of explanation, an abbreviated explanation of stranded costs is provided herein, specifically how those costs are calculated and other relevant matters. We are of the opinion, however, that in the context of the development of the Clearwater MEU, stranded costs would not apply, and therefore such costs have not been included in this Study.

First, the City would likely purchase wholesale power from Duke. Under such circumstances, there would be no stranded costs under Florida law.[4] Second, in the context of an eminent domain proceeding, Duke would not be entitled to stranded costs. As previously indicated, the state statute (F.S.A. § 73.0715) only provides for the award of severance damages, not stranded costs. Third, Duke does not qualify for stranded costs as a part of "damages to the remainder" or "severance damages." Florida courts have long defined "any damages to the remainder caused by the taking" to mean "severance damages." The statute does not provide for business damages under any circumstance. Thus, Duke would not be entitled to stranded costs as a form of business damages. Finally, Duke would be entitled to severance damages and an estimate of those damages as allowable under Florida law was included in the analysis developed for this Study (see separation / reintegration Plan discussion herein). In our opinion, such severance damages would not include stranded costs.

To be clear, for the purposes of this Study, it was assumed that there would be no valid stranded costs applicable to the City's purchase of the distribution system from Duke. This is because it was assumed that the Clearwater MEU would continue to utilize the generation and transmission assets of Duke for its power supply and power delivery needs. These services would be provided to the Clearwater MEU under the applicable FERC established rules and regulations. Further, the City's likely course of action for potential acquisition would be through the state's eminent domain statue (F.S.A. § 73.0175) which does not include consideration of stranded costs in its definition of acquisition value.

Wholesale stranded costs attributable to a municipalization are defined in FERC's Stranded Cost Rule as "any legitimate, prudent, and verifiable cost incurred by a public utility or a transmitting utility to provide service to . . . [a] retail customer that subsequently becomes, either directly or through another wholesale transmission purchaser, an unbundled wholesale transmission services customer of such public utility or transmitting utility."[5]

Notwithstanding the breadth implied by the word "any" in the rule, FERC has clarified in case law that "by the use of the term 'stranded costs,' the Commission throughout Order No. 888 was referring to generation-based stranded costs: that is, the costs associated with generating units built to serve

[4] *City of So. Daytona, Fla.*, 137 FERC ¶ 61,183 at PP 28–42 (2011).
[5] 18 C.F.R. § 35.26(b)(1)(ii).

customers, which costs may become stranded if, as a result of open access, these customers left the utility's system to take power service from a competing power supplier."[6]

In addition to these kinds of threshold issues, and again as discussed in greater detail below, defenses to and mitigation against exposure to "stranded cost" claims by incumbent utilities arise under FERC's "stranded cost" compensation formula set forth in FERC's Stranded Cost Rule (18 C.F.R. § 35.26). That formula appears at 18 C.F.R. § 35.26(c)(2)(iii) and is expressed as

$$SCO = (RSE - CMVE) * L$$

where:

- SCO means stranded cost obligation.
- RSE means revenue stream estimate, or the amount of gross revenue that the incumbent utility would have earned from the products of generating capacity used to supply the relevant customer(s) (retail-turned-wholesale customers in this case) over a given period of time, had open access transmission service over that utility's transmission facilities not been used to disrupt its earnings expectations.
- CMVE means competitive market value estimate, which is the market value of the same generating capacity used to calculate RSE in the market or markets in which that generating capacity will be marketed following the departure of the relevant customer(s) from the incumbent utility's power supply system.
- L means Length of Obligation, or the period of time over which the incumbent utility had a reasonable expectation of continuing to serve the departing customer(s).

The stranded cost obligation of the departing customer cannot exceed the revenue that the departing customer would have contributed to the incumbent utility had they remained a customer of the incumbent utility. Some of the means of mitigating or avoiding stranded cost exposure under FERC's stranded cost formula and its individual elements are discussed in greater detail below.

Preliminarily, the City may wish to consider implementing its potential future retail-turned-wholesale customer relationship with Duke using the strategy suggested by FERC's decision in *City of South Daytona*, 137 FERC ¶ 61,183 at PP 28–42 (2011) (holding that a newly formed municipal electric utility would have no stranded cost exposure to its formerly incumbent retail power supplier where it continued to purchase its wholesale requirements from the former incumbent utility). The implications of the *City of South Daytona* case are discussed below.

In the context of the "retail-turned-wholesale-customer" (FERC's expression for municipalizations in its Open Access rulemakings), FERC has stated that:

> We indicated in Order No. 888 that if the state has permitted any recovery from departing retail-turned-wholesale customers, such amount will not be stranded for purposes of this Rule. We will deduct that amount from the costs for which the utility will be allowed to seek recovery under this Rule from the Commission. In so doing, however, we are not second-guessing the states as to what a utility may recover under state law. Additionally,

[6] *AES Somerset LLC v. Niagara Mohawk Power Corp.*, 105 FERC ¶ 61,337 at P 45 (2003), *reh'g denied*, 110 FERC ¶ 61,032 (2005), *aff'd sub nom. Niagara Mohawk Power Corp. v. FERC*, 452 F.3d 822 (D.C. Cir. 2006).

> we will give great weight in our proceedings to a state's view of what might be recoverable.[7]

Addressing and Mitigating Stranded Cost Claims

Stranded costs are those "costs associated with generating units built to serve customers, which costs may become stranded if, as a result of open access, these customers left the utility's system to take power service from a competing power supplier."[8]

At some risk of oversimplification, in a "stranded costs" case, the incumbent utility seeks to recover the fixed costs associated with the portion of its electric generation capacity it reasonably planned to use to continue to serve customers now served by the newly formed municipal utility. Stranded costs do not include fuel or variable O&M costs because those costs would only be incurred if the generation in question were operating to serve the departing customers. FERC's Stranded Cost Rule (18 C.F.R. § 35.26(c)(1)(vii)) typically provides for the recovery of stranded costs as a form of surcharge to the transmission rates charged by the former incumbent utility to the new municipal utility

Two observations are in order here. First, FERC made it clear in its Stranded Cost Rule that it prefers that parties negotiate and provide by contract for the resolution of stranded cost issues arising at the expiration of a contractual relationship. This may or may not prove possible in the predictably contentious context of what FERC calls a retail-turned-wholesale customer situation. However, negotiation is sometimes worth the effort and, as noted above, the term of the City's franchise to Duke may provide the City with some leverage in such a negotiation.

Second, quantification of the incumbent utility's capacity situation is important to the resolution of a number of factual issues in connection with stranded cost issues. State utility regulatory agencies typically require utilities subject to their jurisdiction to report periodically on their generating capacity and forecasted electric demand to ensure that sufficient generating capacity is available to supply anticipated demand. Florida is no exception. F.S.A. § 186.801 requires each Florida electric utility to "submit to the Public Service Commission a 10-year site plan which shall estimate its power-generating needs and the general location of its proposed power plant sites." The PSC's regulations (F.A.C. §§ 25-22.071 and 25-22.072) require the 10-year site plan (TYSP) to be filed annually. The periodic reports filed by the utilities are typically heavily redacted for reasons of claimed commercial sensitivity, but the City can and probably should require Duke (as part of its franchise obligations) to make the information available to the City.

Considerations Affecting the Retail-Turned-Wholesale-Full-Requirements Power Supply Relationship

As noted above, FERC's declaratory ruling in *City of South Daytona*, 137 FERC ¶ 61,183 (2011) suggests that one direct way to moot the issue of stranded costs is simply to enter into a wholesale full requirements contract with the formerly incumbent utility (in this case, Duke) effective upon the activation of the municipal electric utility. By entering into a wholesale full requirements relationship with Duke, the City would effectively eliminate any contention that its formation of a municipal utility and entry into a network integration service transmission relationship with Duke would create Duke generation

[7] Order No. 888-A, FERC Stats. & Regs. ¶ 31,048 at p. 30,405. See also Order No. 888, FERC Stats. & Regs.¶ 31,036, at p. 31,819.

[8] *AES Somerset LLC v. Niagara Mohawk Power Corp.*, 105 FERC ¶ 61,337 at P 45 (2003), *reh'g denied*, 110 FERC ¶ 61,032 (2005), *aff'd sub nom. Niagara Mohawk Power Corp. v. FERC*, 452 F.3d 822 (D.C. Cir. 2006); 18 C.F.R. § 35.26(b).

costs that were "stranded" by the municipalization. This approach raises some subsidiary questions that are worth further exploration. These questions include:

- What can Duke charge the City for wholesale requirements power supply?
- Could Duke withhold power supply from the City?

FERC allows investor-owned utilities to make power sales at market-based (negotiated) rates if the seller and its affiliates do not have, or have adequately mitigated, horizontal and vertical market power.[9] Due to its control of a substantial majority of the electric generating resources within its Balancing Authority Area, Duke Energy Florida has substantial market power—the ability to control prices or to foreclose competition[10]—within that Balancing Authority Area (which is essentially coextensive with its State-authorized electric service territory). As a result of this market power, Duke does not have FERC authorization to sell power at negotiated (or "market-based") rates in its own Balancing Authority Area, in which the City of Clearwater is located.[11] Duke is therefore required to sell power at cost-based rates within its Balancing Authority Area.

Duke's Wholesale Cost-Based Power Sales Tariff

Duke's cost-based power sales tariff (Duke Energy Florida LLC, Cost-Based Rates Tariff, CBR, FERC Electric Tariff No. 9 (CR-1)) was originally filed by Duke's predecessor, Florida Power Corporation, in 1996[12] and was most recently updated in 2023.[13] The Duke rate tariff covers wholesale service within Duke's Balancing Authority Area and essentially tracks the same generation cost of service components, including an approved return on equity, that comprise the costs recovered under Duke's retail rates.

Section 3.6 of Duke's FERC Electric Tariff No. 9 (CR-1) limits the availability of service to 751 megawatts (MW) of electric demand. This limitation appears to have been based on Duke's calculation of generating capacity available on its system that is in excess of its peak retail and existing wholesale demand. For this reason, the tariff's limitation on availability of supply would need to be adjusted upward to reflect the City's departure from Duke's retail supply obligations in the event that the City decides to proceed with municipalization.

Ability to Refuse Wholesale Service

FERC has observed that, in contrast to a public utility's obligation to provide retail electric service, "there is no express obligation to serve wholesale customers under the Federal Power Act, and any obligation by a utility to provide service beyond those defined by contract will stem from the inability of the wholesale customer to obtain access to alternative suppliers." (*Pac. Gas & Elec. Co.*, 42 FERC ¶ 61,406 at 62,196 n. 14 [1988], *citing Electric Rates, Construction Work in Progress, Anticompetitive Implications; Rate Schedule Filing*, Order No. 474-A, FERC Stats. & Regs. ¶ 30,765, at 30,816–30, 818 [1987]). That summary remains accurate, as far as it goes. However, the refusal of a formerly incumbent utility claiming entitlement to

[9] *Mkt.-Based Rates for Wholesale Sales of Elec. Energy, Capacity & Ancillary Servs. By Pub. Utils.*, Order No. 697, 119 FERC ¶ 61,295, at PP 62, 408, 440 (2007), *clarified*, 121 FERC ¶ 61,260 (2007), *order on reh'g*, Order No. 697-A, 123 FERC ¶ 61,055 (2008), *clarified*, 124 FERC ¶ 61,055, *order on reh'g*, Order No. 697-B, 125 FERC ¶ 61,326 (2008), *order on reh'g*, Order No. 697-C, 127 FERC ¶ 61,284 (2009), *order on reh'g*, Order No. 697-D, 130 FERC ¶ 61,206 (2010), *aff'd sub nom. Mont. Consumer Counsel v. FERC*, 659 F.3d 910 (9th Cir. 2011).

[10] *United States v. E.I. Du Pont de Nemours & Co.,* 351 U.S. 377, 391 (1956).

[11] *Duke Energy Florida, LLC*, 179 FERC ¶ 61,141 at PP 19–22 (2022); *Florida Pwr. Corp.*, 79 FERC ¶ 61,385 (1997).

[12] *Fla. Pwr. Corp.*, 74 FERC ¶ 61,009 (1996), *reh'g denied*, 81 FERC ¶ 61,095 (1997).

[13] *Duke Energy Fla. LLC*, 183 FERC ¶ 61,197 (2023).

stranded cost recovery to provide cost-based service at wholesale prices would likely prove fatal to a stranded cost claim. This is because as generous to incumbent utilities as FERC's stranded cost policies may be, a refusal to provide cost-based wholesale power service would demonstrate that the formerly incumbent utility has no truly "stranded" generation costs. For this reason, should the City decide to proceed with municipal utility formation, a refusal by Duke to provide cost-based wholesale power supply may be theoretically possible but would defeat any claim for stranded costs.

Asset Acquisition Considerations

FERC regulates the merger, sale, transfer, or other disposition of those facilities of public utilities that are "subject to the jurisdiction of the Commission" under Section 203 of the Federal Power Act (16 U.S.C. § 824b), which generally prohibits the sale, lease, merger, purchase, acquisition, or other disposition of such facilities without a FERC order authorizing such action. The concept of facilities subject to FERC's jurisdiction has long been construed to cast a wide net.[14] Generally, it must be shown that the facilities transfer will have no adverse effect on remaining customers.

In *Public Service Co. of Colorado*, 147 FERC ¶ 61,228 at PP 32–37 (2014), FERC determined that the transfer of title to electric transmission facilities proposed to be acquired by condemnation would require FERC's authorization under Section 203 of the Federal Power Act. As this holding would predictably add a layer of regulatory complication to the already substantial effort involved in state law eminent domain proceedings, it is generally best to avoid seeking to acquire FERC-jurisdictional transmission facilities through state statute processes if other means of municipal utility formation are available. For the purposes of this Study, it was assumed that the City and the Clearwater MEU would not acquire nor operate FERC-jurisdictional transmission facilities.

NERC Reliability Regions

The North American Electric Reliability Corporation (NERC) is a not-for-profit international regulatory authority whose mission is to assure the effective and efficient reduction of risks to the reliability and security of the grid. NERC develops and enforces Reliability Standards; annually assesses seasonal and long-term reliability; monitors the bulk power system through system awareness; and educates, trains, and certifies industry personnel. NERC oversees the entirety of the continental United States, Canada, and the northern portion of Baja California, Mexico, and is subject to oversight by FERC and governmental authorities in Canada. NERC's jurisdiction includes users, owners, and operators of the bulk power system, which serves nearly 400 million people.

NERC's jurisdiction is managed by six regional entities, including the Southeastern Electric Reliability Corporation (SERC), which includes the entirety of the state of Florida. The former Florida Reliability Coordinating Council (FRCC) still operates as a Reliability Coordinator and Planning Authority, and interfaces with the FPSC, including acting as the State Capacity Emergency Coordinator, compiling State Load and Resource Data, preparing reliability assessments, and presenting the FRCC Ten Year Site Plan. In addition, FRCC continues to be a FERC Transmission Planning Region.

[14] *See Hartford Elec. Lt. Co. v. Fed. Pwr. Comm'n*, 131 F.2d 953, 961–962 (2nd Cir. 1942) (facilities subject to the jurisdiction of FERC's predecessor agency, the Federal Power Commission, held to include both a utility's "corporate organization, contracts, accounts, memoranda, papers and other records, in so far as they are utilized in connection with such sales" of electric energy at wholesale in interstate commerce, as well as generation facilities "to the extent they are used in such sales").

If the City were to establish the Clearwater MEU, it is likely that the entity would be required to become part of the SERC / FRCC. This would likely require personnel at the Clearwater MEU to be familiar with the requirements of the reliability regions as well as the transmission planning regions. For the purposes of this Study, the costs for such personnel were not estimated individually, but were assumed to be included within the Clearwater MEU A&G costs for operations.

Franchise Agreement with Duke Energy Florida

The City is currently operating under an electric Franchise Agreement with Duke which expires on December 7, 2025. This contract was originally signed with Florida Power Corporation and was assigned to Duke during its merger with Progress Energy in 2012. As of the date of this Study, the City has not entered into contract negotiations with Duke.

The Franchise Agreement, formally City Ordinance No. 5944-95, provides Duke a non-exclusive electric utility franchise to occupy municipal streets and rights of ways in the City for the purposes of providing electric and power services, and provides the terms and conditions for the grant of franchise, and the effective date of the franchise. The franchise agreement provides the basis for the franchise fee payment, which is equal to 6% of the base rate revenues collected from customers within the City municipal limits. The franchise fee payment is the total compensation due to the City for the rights provided to Duke to occupy the municipal streets and rights of way.

The Franchise Agreement states that the rights and privileges granted by the franchise will not be sold or assigned without the City's written approval. Further, the Franchise Agreement indicates that in the event that the City "acquires the property rights" of Duke (Grantee), "as well as any extensions thereof within and without the City, used in or useful in or connected with" Duke's Electric Utility System and extensions hereof, all grants or renewable shall at once terminate. This suggests that if the City were to acquire the distribution system within the City, the Franchise Agreement, regardless of its renewal status, would no longer be in effect.

Section 4
FINANCIAL MODEL DEVELOPMENT

The NewGen Project Team developed a financial model to determine the financial feasibility of creating an MEU for the City of Clearwater. The financial model developed an annual estimated "revenue requirement" for the Clearwater MEU which is the estimated cash needs of the utility as described herein. The projected revenues recovered from retail rates through the sales of electricity to the Clearwater MEU customers were assumed to be equal to the revenue requirement on an annual basis. The annual revenue requirement was equal to the sum of the operating expenses, the non-operating expenses, and the cash required for operating reserves. The total revenue requirement was divided by the total sales to determine an effective "all-in average system rate" for the Clearwater MEU. Similarly, an effective average "all-in" system rate was determined from an analysis of Duke rates reflective of the customer mix estimated within the MEU service territory as provided in Table 2-4.

The effective "all-in" rate developed for Duke customers within the Clearwater MEU included the various retail rate components (customer, energy, demand, and other charges) multiplied by the appropriate billing determinants (number of customers, energy usage, etc.). This total revenue value was divided by the total energy sales to determine a "$/kWh" rate utilized for feasibility and comparative purposes for this Study. The financial model compared the annual average system rates over the Study period (2026–2055). A summary of the financial model results for all years of analysis is provided in Appendix A.

The financial model assumed an "overnight" conversion to an MEU, which does not recognize the time required for the City to acquire Duke's assets. The time required to fully acquire Duke's assets, including severance and reintegration, could vary; it would likely be a long process that could take several years to complete. For the purposes of this Study, a start date of 2026 was a reasonably simplifying assumption and allowed for a comparison of the estimated all-in Clearwater MEU rates with those published and readily available from Duke. Additionally, the reproduction cost data utilized for this Study was based on current year dollars (2025), which allowed for more certainty in the estimated costs to acquire the distribution-related assets from Duke, including cost estimates for severance and reintegration.

It is prudent to evaluate the feasibility of acquiring the Duke assets on the best information available at the time of the Study, as market conditions in the utility space and in the general economy can change dramatically from year to year. Such economic changes could serve to benefit or could negatively impact the financial feasibility of this Study. Therefore, the City is best served by relying on the most recent available data and information in making its decision whether to move forward with the formation of the Clearwater MEU. If the City decides to move forward with this effort, a reasonable timeframe for the establishment of a Clearwater MEU would need to be developed for subsequent analyses.

Table 4-1 summarizes the cost items included in the financial model for the first year of analysis (2026), and these items are further discussed herein. The average effective all-in retail rate for Duke within the MEU service territory was the result of the average rates developed in Table 2-4 and thereafter by an annual rate of inflation (2.2%). As mentioned above, the annual average Clearwater MEU effective "all-in" rate was the result of the total revenue requirements, including operating and non-operating expenses, annual debt service, and financial reserves, divided by the total projected load (sales) for the MEU service territory. The NewGen Project Team estimated operating expenses for the Clearwater MEU based on information derived from public Duke financial filings with federal and state agencies; these expenses were generally assumed to increase at the rate of inflation. As indicated, the projected increase

in the number of customers within the MEU service territory was estimated based on information provided by Duke. The annual investment required by the City to maintain and upgrade the distribution system was estimated based on the condition of the distribution assets as determined by Barr.

Table 4-1
MEU Financial Model Results for Year 1

Line Item	2026 Cost ($000) [1]
Operating Revenues	$230,000
Projected Operating Expenses	
Power Supply	$88,000
Transmission Expense	$20,000
Distribution Expense	$12,000
Customer Expense	$9,000
General and Administrative Expense	$13,000
Total Operating Expenses	*$142,000*
Non-Operating Expenses	
Taxes / Franchise Fee Replacement	$19,000
Renewals and Replacements (Cash)	$17,000
Annual Debt Service	
System Debt Service [2]	$31,000
Severance / Reintegration	$5,000
Start-Up Cost / Reserves	$11,000
Total Non-Operating Expenses	*$83,000*
Cash Required for Debt Service Coverage [3]	$0
Cash Required for Reserves	$5,000
Total Expenses	**$230,000**
Average Retail Rate Analysis	
Total Sales (MWh)	1,778,491
Average Clearwater MEU Rate ($/kWh) [3]	$0.1294
Average Clearwater Duke Rate ($/kWh) [4]	$0.1437

(1) Numbers may not add due to rounding.
(2) System debt service based on adjusted RCNLD including going concern and value of land. See text.
(3) Cash required for Debt Service Coverage included in issuance costs for Year 1 and becomes a revenue requirement (cash) item in subsequent years.
(4) Total annual operating and non-operating expenses (revenue requirement) divided by total sales. See text.
(5) Duke all-in effective rate developed in Table 2-4.

Financial Model Assumptions

The NewGen Project Team developed a series of assumptions that were incorporated into the financial feasibility model created for this Study. These were categorized as assumptions related to the acquisition

of the Duke distribution assets, the initial operation of the Clearwater MEU, and the continued operation of the utility over the Study period. A summary of these assumptions is provided below.

Acquisition Costs for Distribution Assets

As indicated in Section 1, the distribution assets to be acquired for the creation of the Clearwater MEU include the distribution systems and associated equipment necessary to serve the various customers within the MEU service territory. Based on discussions with the City, the NewGen Project Team assumed that the distribution assets to be acquired would be valued at RCNLD, inclusive of land value and "going concern," as presented in Table 2-2. As part of establishing an MEU, the City would need to acquire three electrical substations to take service at transmission-level voltage and distribute power to the customers within the MEU service territory. These substations include Clearwater Substation (Figure 2-5), East Clearwater Substation, and Bayview Substation (all of which are shown in Figure 2-1). The City would need to acquire all the remaining equipment that conveys, transforms, or otherwise manages the power at the distribution level within the MEU service territory. Table 2-2 provides a summary of the equipment to be acquired.

For the purposes of the feasibility analysis, it was assumed that the MEU would be able to finance the acquisition cost of the Duke assets over a 30-year period utilizing taxable debt. Based on discussions with the City, the taxable debt interest rate utilized for this analysis was assumed to be 6.5% per year. It was anticipated that the MEU could issue non-taxable debt as a municipal entity for its ongoing cash needs. However, for this Study, it was assumed that for the purpose of acquiring the privately held assets (i.e., Duke's distribution system), the City would issue taxable debt as a funding mechanism.

Initial Clearwater MEU Operation

The initial operation of the Clearwater MEU would require a source of cash to fund various activities prior to, and within, the first six months of operations. After this initial period, it was assumed that rate revenue from retail energy sales would support the cash needs of the MEU. For the purposes of the financial analysis, it was assumed that there are three general categories of initial operations costs: those associated with the start-up of the Clearwater MEU prior to operations, those associated with the projected cash needs (financial reserves), and those associated with the severance and reintegration costs (discussed in Section 2).

The regulatory and professional services were assumed to include attorney fees, consultant fees, regulatory fees, and other fees/charges to support the transaction of the acquisition. The total cash estimated to be necessary for the regulatory / professional services was approximately $15 million. For this Study, quotes were not solicited from professional service providers and potential costs for licensing or other fees with local, state, or federal governmental entities for these services were not investigated, and estimates herein were based on professional experience. Additionally, it was assumed that the Clearwater MEU would require a Municipal Operations Center facility to house staff, management, information technology (IT) systems, and distribution equipment and related plant, and to serve as a payment center for customers. Based on discussions with the City, the estimated cost for a Municipal Operations Center was approximately $30 million.

The other cash needs for the Clearwater MEU prior to and during the start-up period included a requirement for estimated A&G plant (vehicles, computers, desks, etc.), estimated at $5 million, as well as estimated costs for equipment, operating systems (including software/billing systems, which could potentially be added to the City's existing system for CGS), and initial labor costs. These costs were

collectively estimated to be $20 million. Barr estimated the severance / reintegration costs to be approximately $68 million, which includes provisions for contingencies.

The NewGen Project Team assumed that these start-up related costs would be amortized with the issuance of debt by the City and/or the Clearwater MEU over a 30-year period. It was assumed that debt issued for the regulatory and professional fees and equipment, support systems, and initial labor costs would be at a taxable rate of 6.5% while the debt issued for the Clearwater MEU Municipal Operations Center and starting A&G plant would be at a tax-exempt rate of 5.5%. This is a simplifying assumption as there may be limitations with the use of bond funds for operations. The debt service for these bonds would be recovered through the rates charged for providing electric service to the Clearwater MEU customers.

Table 4-2 below provides a summary of these costs.

Table 4-2
Estimated Costs for Clearwater MEU

Type	Description	Amount ($000) (1)
Start-Up Costs		
Regulatory and Professional Fees	Estimated transaction costs	$15,000
Municipal Operations Center	Estimated new build	$30,000
Starting A&G Plant	Estimated initial investments	$5,000
Equipment / Systems / Labor	Estimated for operating systems	$20,000
Subtotal		*$70,000*
Reserve Costs		
Working Capital Contribution	90 Days First Year O&M	$35,015
Rate Stabilization Contribution	20% First Year O&M	$28,401
Severance / Reintegration Costs		
Severance (including contingencies)	Estimated investment required to sever and reintegrate distribution system	$67,785
Subtotal		*$131,201*
Total Estimated Costs		$201,201

(1) Values are rounded and may not add.

The continued operation of the Clearwater MEU would require cash for operations, including power purchases (and delivery via Duke's transmission system), utility operating expenses, and maintenance of operating reserves. The following provides a summary of the assumptions regarding the costs for each of these items.

Power Purchases (Florida Power Market)

The Southeast electricity market is a bilateral market that includes all or parts of Florida, Georgia, Alabama, Mississippi, North Carolina, South Carolina, Missouri, and Tennessee. This market encompasses

the SERC reliability region, as previously discussed. SERC does not have a real-time power market (there is no Regional Independent System Operator or Regional Transmission Operator). Most utilities within SERC are vertically integrated, meaning they own generation, transmission, and distribution plant that are designed and dispatched primarily to serve their own load. However, there are several publicly owned utilities that do not own generation and obtain wholesale power through bilateral contracts with generation-owning entities. Certain entities have formed that facilitate bilateral / wholesale sales in Florida including the Florida Municipal Power Agency (FMPA) and the Southeast Energy Exchange Market (SEEM), which began operation in 2022. For the purposes of this Study, it was assumed that SEEM is not a viable power provider for the Clearwater MEU.

Florida Municipal Power Agency

FMPA is a wholesale power agency owned by municipal electric utilities in Florida. FMPA's members include the communities of Alachua, Bartow, Blountstown, Bushnell, Chattahoochee, Clewiston, Fort Meade, Fort Pierce, Gainesville, Green Cove Springs, Havana, Homestead, Jacksonville Beach, Key West, Kissimmee, Lakeland, Lake Worth Beach, Leesburg, Moore Haven, Mount Dora, Newberry, New Smyrna Beach, Ocala, Orlando, Quincy, Starke, St. Cloud, Tallahassee, Wauchula, Williston, and Winter Park. FMPA's mission is to provide low-cost, reliable, and clean power and value-added services for FMPA's member-owners that benefit their communities and customers.

FMPA serves each of these 33 municipal electric utilities located across the state. The municipal utilities are individually owned and operated by the communities they serve. By working together through FMPA, the utilities can enhance their operations for the benefit of their customers. FMPA's primary purpose is to create joint power supply resources, such as power plant ownerships, member-owned resources, and power purchase agreements with Duke Energy, Florida Power & Light, and others. In addition, the FMPA member utilities work together on a variety of joint efforts to enhance the cost, reliability, and operations of their electric systems.

The load requirements for the Clearwater MEU may exceed any excess generation capacity currently owned by FMPA members. Therefore, to support Clearwater's load, FMPA would likely need to purchase capacity and energy from one of the investor-owned utilities within the state, such as Duke. If that were to occur, it is likely that the average FMPA costs could exceed the costs of the Clearwater MEU buying wholesale power directly from Duke. As a result, for the purposes of this Study, it was assumed that the Clearwater MEU would purchase energy from Duke at the wholesale power rates as estimated herein. If the City does elect to move forward with the development of the Clearwater MEU, it should evaluate the costs of obtaining wholesale power from FMPA at that time.

Estimated Wholesale Power Costs for Clearwater MEU

Duke energy sales include retail sales and sales for resale, or wholesale transactions. Retail rates are regulated by the FPSC while rates for wholesale transactions are regulated by FERC. Most of Duke's wholesale transactions are for what is characterized as requirements (RQ) service. RQ service is provided on an ongoing basis and at the same level of reliability as is experienced by Duke's retail customers. In addition, RQ customers' power supply requirements are included in Duke's resource planning process. Currently, Duke's RQ sales for resale transactions include the following utilities:

- Central Florida Tourism Oversight District (formerly Reedy Creek Improvement District)
- Seminole Electric Cooperative, Inc.
- Southeastern Power Administration
- Talquin and Tri County Electric Cooperatives

- Tampa Electric Company

As a proxy for estimating the Clearwater MEU's future power costs, the NewGen Project Team conducted an analysis of the Central Florida Tourism Oversight District's filed Duke Srvice Schedule F. For transmission costs, an analysis of Duke's filed OATT projections was conducted. Table 4-3 below provides a summary of the cost elements included in the estimated wholesale power price for transmission voltage service, including estimates of capacity (reservation fee), variable O&M expenses, A&G expenses, fuel and purchased power expenses, and transmission. Fuel and purchased power expenses were estimated based on values provided within Duke's fuel and purchased power recovery clause.

Table 4-3
2026 Estimated Wholesale Power Price ($/MWh) at Transmission Voltage

Wholesale Power Costs Elements	2026 Price ($/MWh)
Reservation Fee	$6.97
Variable O&M Expenses	$1.45
A&G Expenses	$2.02
Fuel & Purchased Power	$37.78
Transmission	$10.94
Total	**$59.16**

Transmission Costs

It was estimated the transmission expenses for market power purchases for 2026 will be approximately $65,280 per megawatt year (MW-yr) for Network Integration Transmission Service (NITS) based on information published by Duke in its OATT. This cost was applied to the estimated sum of monthly peak demands for the Clearwater MEU to derive a total cost for transmission services for market purchases. Similar to energy sales, the systemwide load forecast provided by Duke was utilized to estimate the future peak demand for the Clearwater MEU. This resulted in a total cost divided by total energy purchased for an equivalent rate of $10.94 per MWh for 2026, as shown in Table 4-3. This cost was assumed to increase at the general rate of inflation of 2.2% per year over the Study Period.

It should be noted that transmission costs vary widely in Florida and depend on the nature of the service provided (point-to-point compared to network) and the location of the load, as well as the specific schedule and administrative costs. Future analysis of alternative transmission options is warranted if the City elects to move forward with this effort.

Utility Operating Costs

The MEU operating costs would include distribution expenses (associated with O&M of the locally owned distribution system), customer expenses (associated with billing and managing customer accounts), A&G expenses (associated with management and other expenses), and other charges. The NewGen Project Team estimated the costs for these operational requirements based on a ratio of Duke's costs, which were then adjusted based on professional experience. For distribution expenses, the ratio of the total distribution O&M costs (for Duke's Florida operations, as provided in its regulatory filings) to the total customers served at the system level was determined. This ratio was applied to the total customers estimated to be served in the MEU service territory to determine the annual base costs to provide O&M

distribution services. These values were adjusted to reflect the anticipated expenses based on professional experience.

For customer expenses, a ratio of the total Duke customer-related costs compared to the total number of customers within its state-wide service territory was determined. This ratio was applied to the total number of customers within the MEU service territory to determine the annual base cost to provide customer-related services. For the A&G expenses, the ratio of Duke's total distribution O&M and customer-related costs to the total A&G costs was determined. This ratio was applied to the calculated distribution O&M and customer-related costs (total) for the MEU service territory to determine an estimate of the costs for the Clearwater MEU to provide A&G services.

For the purposes of this analysis, the NewGen Project Team assumed that the Clearwater MEU would contract with a nearby entity to provide distribution O&M services for the first four years until such time it is expected that the MEU could fully staff its operations. This may be an economically efficient way to manage the system with experienced personnel while the City determines how and when it would hire and train its own staff. It was assumed that a third-party entity would require a nominal management fee to provide these services in addition to the estimated costs based on the analysis herein.

The City would need to evaluate the trade-off between continuing to pay the O&M fee and developing its own staff to provide distribution O&M services at a future date. This "contract fee" only applied to the distribution O&M costs as it was assumed that the City would be able to implement and staff its customer-related functions given its experience with its natural gas utility. Additionally, the utility management function (included in the A&G function) would not be subject to the contract fee as this would be a Clearwater MEU-related expense (see discussion of MEU Operational Structure).

Other Non-Operating Expenses

The financial model included other non-operating expenses including payments to local governments entities in lieu of receiving payments from taxes and franchise fees paid by Duke, investments in the distribution system, debt service for system acquisition, severance and integration, start-up related costs (discussed above), and funding of operating reserves.

Various government entities, including Pinellas County and the City, receive payments directly or indirectly from Duke in the form of ad valorum (property taxes) and gross receipts taxes. Combined, it was estimated from data provided by Duke that Duke's retail rates recovered approximately $6.5 million in taxes from the customers within the City in 2024 which was remitted to government entities and which is inclusive of approximately $825,000 in ad valorum taxes paid to the City. The Clearwater MEU would most likely be a tax-exempt (government owned) entity; however, for the purposes of this Study, the NewGen Project Team assumed that the Clearwater MEU would be responsible for collecting a similar payment in lieu of taxes from its customers.

As previously indicated, the City currently receives a franchise fee payment from Duke which is the equivalent of 6% of gross revenues from sales within the City, excluding sales to public authorities. The City indicated receipt of an average annual franchise fee from Duke of approximately $11 million in 2024. The analysis developed herein included an internal transfer, referred to as a Franchise Free Replacement, from the Clearwater MEU to the City based on the 2024 value provided by Duke, escalated annually at the rate of inflation.

Investments in the system are referred to as "renewals and replacements" or normal capital expenditures and were assumed to be approximately $19.4 million per year for the first 10 years of operations, increasing to approximately $33 million for the second 10-year period based on an assessment of the

condition of the assets to be acquired. This was based on the "distribution investment plan" as described in Section 2 of this report. The analysis assumed that these investments would be funded with cash from rates. After the initial distribution investment plan period (Year 20), it was assumed that these investments would be equal to the annual depreciation expense of the entire MEU asset base.

As previously indicated, the system debt service costs were based on a 30-year bond issue for the acquisition at the taxable rate of 6.5%. The start-up debt service was based on a 30-year bond issue for the start-up costs at a tax-free rate of 5.5%. The operating reserves were assumed to be equal to the difference between the cash available for debt service and the total non-operating expenses, assuming a debt service coverage ratio of at least 1.5 times the debt service requirement. The coverage ratio was applied to all debt issued by the Clearwater MEU, including the debt service for the acquisition, the capital improvement costs, and the startup costs. Additionally, the Clearwater MEU would be expected to maintain financial reserves which would include a Working Capital Fund (90 days cash, which is a standard reserve policy for municipal entities) as well as a Rate Stabilization Fund equivalent to 20% of its total operating cash needs. For the purposes of this Study, it was assumed that the initial deposits to these funds would be made with the proceeds of debt issues. As the Clearwater MEU utility grows to meet increased demand and increased costs, these reserves would be maintained with cash recovered from rates.

Community Support

Duke makes charitable contributions in various forms to the communities it serves, and the dollars used to support these efforts are funded by shareholders in accordance with state law. These contributions are made through various entities, including the Duke Energy Foundation, which is the charitable foundation of Duke Energy Corporation. In addition to monetary contributions, Duke employees and retirees help build and nurture communities through gifts to various programs and by volunteering their time and efforts. Duke does not track its charitable contributions specifically within City limits, but it has estimated contributions to the Clearwater community since 2020 to be approximately $1.3 million in donations and sponsorships; approximately $1.0 million in grants, employee matching, and volunteer rewards; and over $100,000 in employee and retiree donations. Current and retired Duke employees provide gifts of approximately $500,000 per year, and Duke's contributions to charitable organizations in the Clearwater area are over $150,000 a year. Additionally, Duke contributes to county area organizations, including Pinellas County Urban League, Pinellas County Ed Foundation, Habitat for Humanity, New World Reading, and St. Pete College. The values provided above do not include Duke's "Share the Light" Fund, which provides assistance to low-income customers to meet their electricity needs.

For the purposes of this analysis, the NewGen Project Team assumed that the Clearwater MEU would donate approximately $500,000 per year to various charitable organizations, which is roughly equal to the value provided by Duke (but excluding the value provided by the current and retired Duke employees). This value was assumed to increase at the rate of inflation throughout the Study period.

Total Revenue Requirement / Average System Rate

The financial model determined the revenue requirement (the total dollars needed to support the Clearwater MEU) based on the individual expenses identified above. The revenue to be recovered from rates was equal to the revenue requirement of the utility. The annual average effective "all-in" system rate was equal to the revenue requirement divided by the total energy (kWh sales). This rate would not necessarily be equal to the rates charged by the Clearwater MEU to its customer classes; however it

provides a comparable basis for the purposes of feasibility. If the Clearwater MEU were formed, individual customer class rates would be developed based on a detailed cost of service analysis. Because different customers place different demands on the system and use power at different times, the Clearwater MEU's rate design would need to be tailored to ensure that rates were cost based for each customer class or adjusted to fit specific policy requirements of the City.

The annual average "all-in" effective system rate is a financial metric utilized to compare the potential costs of operating the Clearwater MEU to the costs of continuing to obtain service from Duke. The NewGen Project Team estimated the average system costs for the Duke customers within the MEU service territory based on existing customer class usage data provided by Duke and an assumption of the customer composition of those future Clearwater MEU customers within the enclaves, as described in Section 2 of this report. From 2027 onward, the average system retail rate for Duke Clearwater customers was estimated to increase at an annual inflation rate of 2.2%.

Table 4-5 below summarizes the projected average system retail rates for the Clearwater MEU compared to those estimated for Duke. The first five years of the Study resulted in an average retail rate for the Clearwater MEU that was approximately 7% lower than the corresponding estimated Duke Clearwater all-in rate. These savings increased over time as a result of the fixed costs associated with the debt service payment requirement of the Clearwater MEU and the assumptions regarding increases in Duke's rates. The average retail rate for the Clearwater MEU was estimated to be approximately 18% lower than Duke's rates for the remainder of the Study period. It is reasonable to expect that the Clearwater MEU all-in effective rates would be lower than Duke's projected all-in effective rates because the City has access to lower cost of capital (debt service) than Duke, does not include a profit in its revenue requirement (and does not have to provide a return to its shareholders) and does not have to pay income taxes.

Table 4-5
Annual Savings Analysis

Item	Year 1 (2026)	Year 5 (2030)	Year 10 (2035)	Year 20 (2045)
Total Annual Sales (kWh)	1,778,491,267	1,872,967,084	1,995,432,383	2,264,005,967
Clearwater MEU Effective All-In Rates ($/kWh)	$0.1294	$0.1339	$0.1405	$0.1654
Total Clearwater MEU Revenue	$230,141,351	$250,804,800	$280,412,040	$374,388,297
Duke Effective All-In Rates in Clearwater ($/kWh)	$0.1437	$0.1459	$0.1632	$0.2041
Total Duke Revenue in Clearwater	**$255,586,560**	**$273,236,668**	**$325,557,944**	**$461,975,654**
Difference between Clearwater MEU and Duke Revenue (Savings $)	$25,445,209	$22,431,868	$45,145,903	$87,587,357
% Difference in Effective Rate (%)	(10.0%)	(8.2%)	(13.9%)	(19.0%)

Discussion of Annual Savings Analysis

The results in Table 4-5 indicate that the Clearwater MEU could potentially provide savings to the citizens and business of its service territory in the first year of its formation. Based on the analyses and assumptions developed herein, the NewGen Project Team estimated that the Clearwater MEU effective "all-in" rate would be approximately $0.014/kWh less than the estimated effective all-in rate for Duke for the first year of the analysis. While this difference does not seem large, if applied to the estimated entire

sales within the Clearwater MEU of approximately 1.7 billion kWh for the year, the savings are estimated to be approximately $25 million. This suggests that in aggregate the customers of the Clearwater MEU could potentially see a reduction in their electricity costs of approximately 10% in the first year

As the Clearwater MEU grows to meet increased load and continues to invest in its distribution system and its financial reserves, its rates would increase to cover its costs. Based on the assumptions described herein, in Year 5 of the analysis, the effective all-in rate for the Clearwater MEU was estimated to be approximately $0.1339/kWh. However, at that time it was estimated that the effective all-in Duke rate will have increased with inflation. The resulting rate difference in Year 5 was estimated to be approximately $0.012/kWh between the Clearwater MEU and Duke, resulting in a cost savings of approximately $22 million for that year. This suggests an increase in the relative cost savings to the Clearwater MEU ratepayers of approximately 8% compared to remaining a Duke customer. The savings to the Clearwater MEU ratepayers was estimated to decrease slightly in Year 5 as the cash needs of the utility operation slightly increase.

Year 10 and Year 20 Discussion

At Year 10, the estimated effective all-in rate difference between the Clearwater MEU and Duke would increase to be approximately 14% lower for the Clearwater MEU. This is primarily because many of the Clearwater MEU costs would be related to the debt issued to acquire and invest in the distribution system; therefore, these costs would remain constant (the annual debt service was assumed to be constant for each debt issue). Additionally, as indicated, the Clearwater MEU rates would not include a profit or return for shareholders, which is included in the Duke rates, which were estimated to continue to grow with inflation. In Year 20, the all-in rate difference was estimated to be approximately $0.039/kWh, which results in an estimated annual savings of approximately $88 million to the customers of the Clearwater MEU or approximately 19% lower rates compared to the estimated revenue and rates associated with Duke Clearwater customers at that time.

Figure 4-1 provides a comparison of the total effective all-in rate comparison of the Duke rates within Clearwater compared to those estimated for the Clearwater MEU for all years of the Study

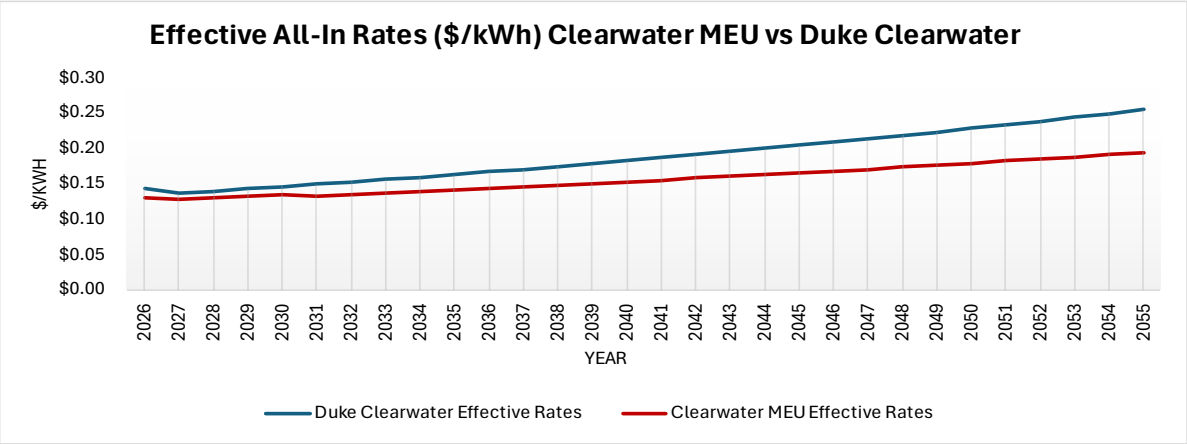

Figure 4-1. Annual Effective All-In Rates ($/kWh) Clearwater MEU versus Duke Clearwater

The results of the Feasibility Study showed that for all years of the Study period, the estimated effective all-in rate for the Clearwater MEU would be lower than the estimated effective all-in rate for Duke for the customers within the Clearwater MEU service territory. For the first five years of the Study period, the average Clearwater MEU all-in effective rate would be approximately 7% lower than the Duke Clearwater

rate on an annual basis. After this initial period, the Clearwater MEU all-in effective rate would be on average approximately 18% lower than the effective Duke Clearwater rate on an annual basis for the remainder of the Study period.

There are several factors influencing the results of this analysis. In 2027 (Year 2), the average estimated all-in rates for both the Clearwater MEU and Duke Clearwater were reduced. This was primarily based on estimates for production-related costs as filed by Duke with the FPSC as a result of the settlement agreement for the rate case Docket No. 202400025-EI. The effect of this settlement agreement for Duke rates (in general) was that there is no expected retail base rate change for 2027. The effect on the Clearwater MEU would be that the purchased power costs, obtained at the wholesale all-requirements rate estimated for 2027, would be reduced compared to 2026, primarily due to predicted reductions in fuel costs.

Beyond 2027, the Duke all-in effective rates were estimated to increase at the general rate of inflation (2.2%, as stated herein); however, the Clearwater MEU rates would be impacted by the estimated Long-Range Capital Plan investments (which were assumed to be made in cash) and the constant annual debt payments assumed for the acquisition, start-up, and severance / reintegration costs. Because the annual debt payments remained constant throughout the Study period, a relatively large portion of the annual revenue requirement (approximately 20%) remained constant, whereas the remaining portions of the annual revenue requirement were adjusted annually for inflation. Therefore, the difference between the annual effective all-in rates for the Clearwater MEU and Duke Clearwater would increase over time.

Disclaimer

The assumptions developed herein were based on a point in time and were based on the best available information provided by Duke, the City, and public sources. There can be no assurances made that these assumptions are the only assumptions that the City should consider in its deliberations regarding the formation of a Clearwater MEU. These assumptions are subject to change with changes in the economy, utility industry, and other aspects of society within and beyond the state of Florida, and such changes may have an adverse impact on the analysis developed herein.

To the extent that such external events occur or new information becomes available that would otherwise impact these assumptions, the findings in this report, including the potential savings associated with the formation of the Clearwater MEU, could be adversely impacted. This report contains financial information and makes findings based on estimates and projections including but not limited to revenues, expenses, costs, operations, and capital markets in general. There can be no guarantee that the Clearwater MEU will achieve cost savings compared to continued service from Duke, and the results may be materially different from those presented herein. Therefore, it is critical to understand that actual results may, and likely will, vary from those contained in this report and developed for this Study.

Section 5
PUBLIC POLICY IMPLICATIONS

One advantage that the City would have in owning and operating the Clearwater MEU would be the opportunity to effectuate public policy goals through local control of the electric utility. This may include the opportunity to convert overhead distribution feeders to underground in selected areas of the MEU service territory. Additionally, City ownership of the MEU may result in the ability of the City to attract investment in Clearwater with various rate offerings, as well as various customer programs and rate offerings which could be designed to address affordability concerns and other policy considerations of the City.

Overhead to Underground Distribution Conversions

Based on a review of the distribution system, Barr identified three significant areas where the overhead feeders could potentially be converted to underground, which would increase the reliability, safety, and aesthetics of these areas relative to the current electric distribution system. Specifically, Myrtle Avenue, Drew Street, and Court Street are significant thoroughfares that are examples of areas that could be improved with conversion from overhead to underground systems. Figure 5-1 is a picture of the current overhead distribution line configuration at the corner of South Myrtle Avenue and Court Street.

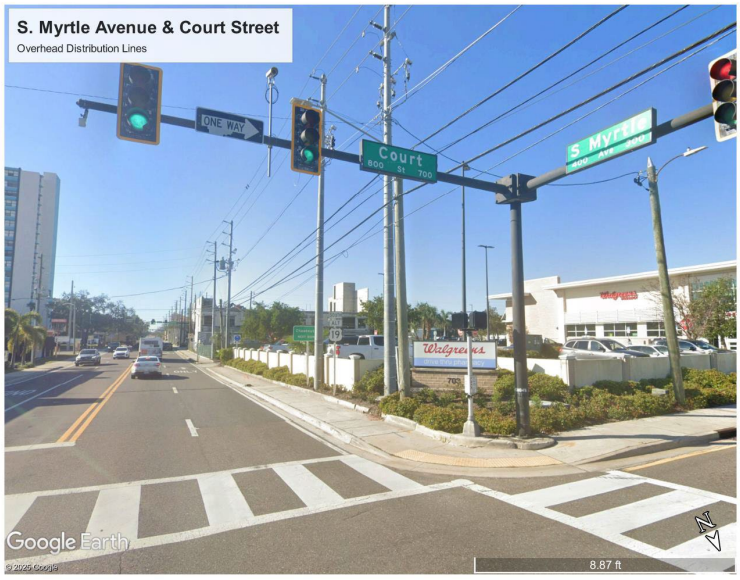

Figure 5-1. South Myrtle Avenue and Court Street Overhead Distribution Lines (Source: Google Earth)

Figure 5-2 is a picture of the current overhead electrical distribution system along South Myrtle Avenue at the intersection of Pine Avenue (looking north along South Myrtle Avenue). Figure 5-3 is a picture of the current overhead electrical distribution system along Drew Street at the intersection of North Garden Avenue (looking north along Drew Street), and Figure 5-4 is a picture looking north along Court Street at the intersection of Martin Luther King Jr. Avenue.

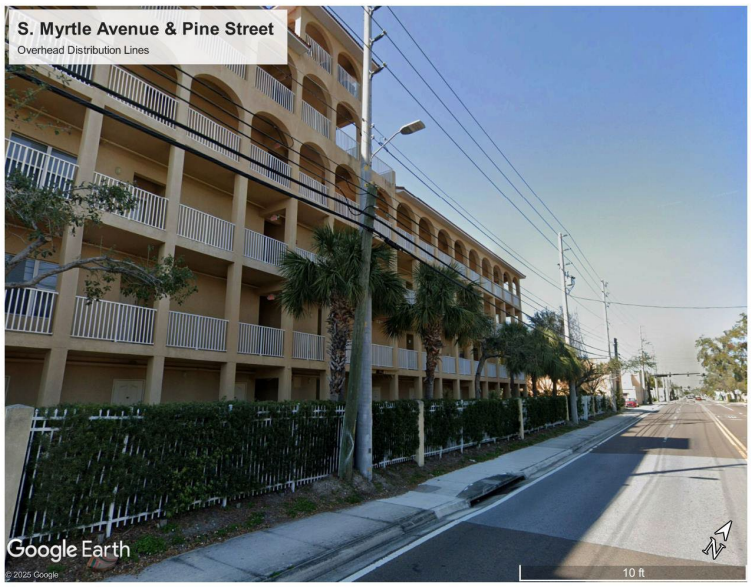

Figure 5-2. S. Myrtle Avenue and Pine Street Overhead Distribution Lines (Source: Google Earth)

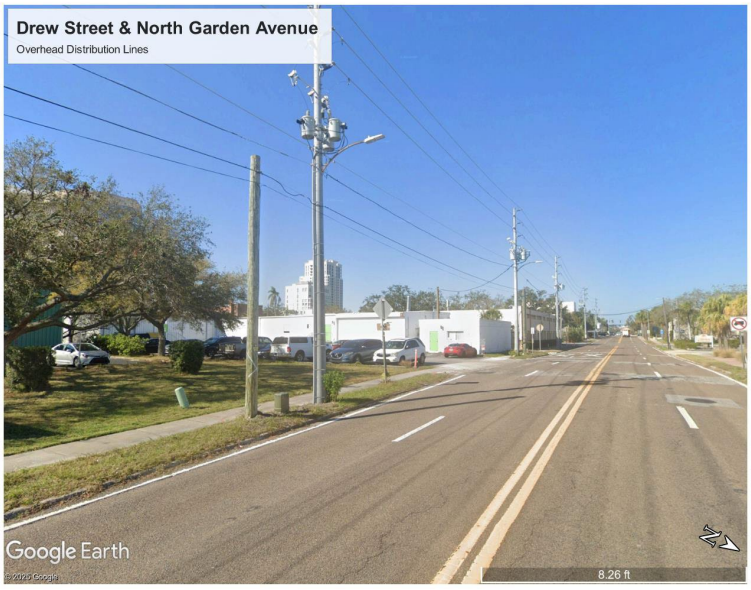

Figure 5-3. Drew Street and North Garden Avenue Overhead Distribution Lines (Source: Google Earth)

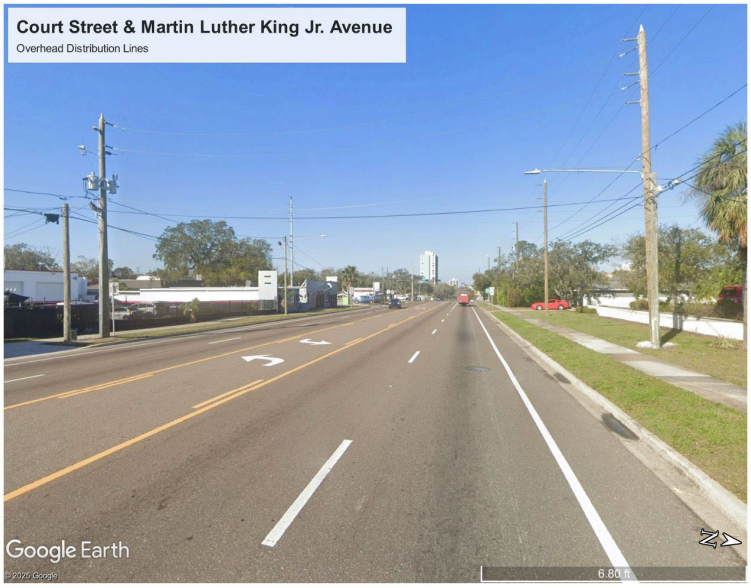

Figure 5-4. Court Street and Martin Luther King Jr. Avenue Overhead Distribution Lines (Source: Google Earth)

To be clear, cost estimates for the conversion of overhead distribution lines and equipment to underground distribution lines and equipment were not included in the feasibility analysis developed for this Study. In general, typical ranges for engineering, material, and construction costs for overhead to underground conversion are between approximately $800,000 and $1.05 million per 1,000 feet of conductor and related equipment (in 2025 dollars). Table 5-1 provides a summary of cost ranges for the removal of existing overhead lines and equipment and the installation of new underground lines and equipment.

Table 5-1
Cost Ranges for Overhead to Underground Conversion ($/1,000 feet)

Description	Cost Estimate Range (per 1000 feet)
Removal of Existing Overhead Distribution Lines and Equipment	$150,000–$250,000
Installation of New Underground Distribution Lines and Equipment	$650,000–$800,000
Total	**$800,000–$1,050,000**

Overhead to Underground Conversion Project Examples

Examples of specific underground projects include overhead conductors along Myrtle Avenue, Drew Street, and Martin Luther King Jr. Avenue. A summary of those specific projects, including aerial maps of those potential projects and their estimated potential costs, are provided below:

- Myrtle Avenue from Drew Street to Chestnut Street
  - Length: 2,700 feet
  - Estimated Cost: $2.2M to $2.9M

Figure 5-5. Myrtle Avenue, Drew Street to Chestnut Street, Overhead to Underground Conversion (Source: Google Earth)

- Drew Street from Myrtle Avenue to Highland Avenue
  - Length: 6,700 feet
  - Estimated Cost: $5.4M to $7.1M

Figure 5-6. Drew Street, Myrtle Avenue to Highland Avenue, Overhead to Underground Conversion (Source: Google Earth)

- Court Street from Martin Luther King Jr. Avenue to Hillcrest Avenue
  - Length: 4,000 feet
  - Estimated Cost: $3.2M to $4.2M

Figure 5-7. Court Street, Martin Luther King Jr. Avenue to Hillcrest Avenue, Overhead to Underground Conversion (Source: Google Earth)

Retail Rates / Rate Programs

If the City forms the Clearwater MEU, it would be required to set retail rates for the various rate classes within its service territory. However, the Clearwater MEU would have the ability to establish these rates and rate classes in accordance with its rate setting authority, which will likely rest with the Clearwater City Council. Regardless, the City would have the ability to establish rates consistent with its public policy objectives. Further, the City would have the ability to establish rate programs, such as those associated with addressing affordability concerns, including low-income rate assistance, as well as to potentially offer rates to encourage investment in the City and to support the local hospitality industry and health care workers, for example. Such rates and rate programs could also be designed to work with other City government entities, such as CGS Energy, to promote local welfare and support the local economy. To be clear, this Study did not include the development of proposed rates and rate programs for the potential Clearwater MEU.

This Study does not propose specific rates for the Clearwater MEU customer classes. However, an analysis of potential effective all-in retail rates by class was developed for comparative purposes only. Specifically, a proportional analysis of the average effective all-in retail Duke rate to the average effective all-in retail

rate by each major customer class identified by Duke was conducted for 2026. These proportions (or ratios) were applied to the average system effective all-in retail rate estimated for the Clearwater MEU for 2026. Table 5-2 summarizes this analysis and the comparison of the average all-in retail rates by customer class for Duke and the Clearwater MEU. To be clear, these rates were not developed as a result of a detailed cost of service analysis, which is beyond the scope of this Study. If the City does form the Clearwater MEU, the NewGen Project Team recommends that a detailed cost of service study be conducted to properly allocate costs to each customer class served by the utility.

Table 5-2
Comparison of Effective All-In Retail Rates by Customer Class for Duke and Clearwater MEU (2026)

Rate / Rate Class (2026) (1)	Units	Duke	Clearwater MEU
Effective All-In Rate	**$/kWh**	**$0.1437**	**$0.1294**
Residential	$/kWh	$0.1778	$0.1601
Commercial	$/kWh	$0.1159	$0.1044
Industrial	$/kWh	$0.0734	$0.0661
Public Authority	$/kWh	$0.1229	$0.1107
Lighting	$/kWh	$0.3119	$0.2809

(1) Analysis is for comparative purposes only. Analysis assumes same classification / proportionality as current Duke rates. City Council can change the proportion based on its policy objectives

Section 6
CONCLUSION

Conclusion

The NewGen Project Team investigated the technical, financial, and legal feasibility of creating a locally owned electric utility (Clearwater MEU) for the City, including the enclave areas as discussed herein. This would require the City to acquire the existing electric distribution assets of the incumbent utility, Duke, within these areas. This would also require the City to procure wholesale power and transmission services, manage and maintain the local distribution system, and bill customers for their power usage.

The results of the analysis conducted for this Feasibility Study suggest that on an average system effective all-in retail rate basis, the Clearwater MEU could provide service to its customers at a lower annual average cost than the Duke Clearwater projected annual average effective all-in retail rate for all years of the Study period (2026–2055). The analysis relied on a series of assumptions regarding the acquisition of the Duke assets and the costs to acquire and deliver wholesale power supply from Duke, as well as the costs to operate and maintain the Clearwater MEU.

Primary drivers for the average Clearwater MEU system retail rates include the assumptions and estimates for the costs to acquire the system assets, construction costs for capital improvements to connect the system to the transmission grid, future power supply expenses, and other operating costs. For this assessment, the NewGen Project Team made reasonable estimates and assumptions consistent with this Study and based on publicly available data and information provided by the City and Duke. As noted herein, Duke should be commended for providing data and other information to support the analysis developed for this Study.

The development of a Clearwater MEU is not without potential risks to the City, including the risk that the assumptions and estimated financial projections developed herein prove to be incorrect. The assumptions developed for this Study are based on a point in time and are subject to change with changes in the economy, utility industry, and other aspects of society within and beyond the state of Florida, and such changes may have an adverse impact on the analysis developed herein. Therefore, it is critical to understand that actual results may, and likely will, vary from those contained in this report.

As noted, there are potentially significant legal and other challenges associated with the development of a Clearwater MEU. At the state level, the City would likely need to compel Duke to sell its assets within the Clearwater MEU service area through a forced sale. Relevant legal precedents for public entities acquiring private utility assets suggest that the value of assets are related to their relative RCNLD costs, in addition to a compensation for "going concern" value, severance and reintegration costs, and other costs. For this Study, it was assumed that the adjustment made to the RCNLD values developed herein is inclusive of the going concern value. As discussed herein, it was assumed that the Clearwater MEU would not incur stranded costs in the acquisition of the Duke distribution assets given the requirements of the State statute governing the valuation of such activities. Further, this Study did not include the development of an appraisal of the assets to be acquired from Duke by the City, which would presumably be required if the City decides to move forward with this project.

The creation of the Clearwater MEU could provide the City with an opportunity to implement various public policies related to electric utility operations and service offerings. The opportunities focused on for the purposes of this Study and report were the potential implementation of an undergrounding

program, as described herein, as well as potential rates structures and programs to address concerns regarding affordability and economic development. Conversion of overhead distribution facilities to underground would require significant investments by the Clearwater MEU; however, these investments may result in improved reliability, less need for vegetation management, and improved safety and aesthetics. For the purposes of this Study, the additional costs for undergrounding portions of the distribution system were not included in determining the feasibility of the creation of the Clearwater MEU. Development of specific rate design and rate offerings for individual customer classes as well as various customer-related programs would require the development of a detailed cost of service study, which was not included as part of this Study.

As noted herein, the basis for this Study was a series of assumptions regarding the potential operating and non-operating costs for the Clearwater MEU as well as the future retail rates offered by Duke. The implementation of a Clearwater MEU would be a very complex undertaking, which means, among other things, that there could be any number of factors that could negatively impact the ultimate financial results. Therefore, it should be clearly stated that there can be no assurances that the Clearwater MEU would achieve the cost savings estimated herein, and the results may, and could, be materially different than those estimated for this Study.

NewGen Strategies & Solutions

BARR

Duncan & Allen LLP

APPENDIX A: FINANCIAL ANALYSIS DETAIL

REPORT

MUNICIPAL UTILITY FEASIBILITY STUDY

Appendix A
FINANCIAL ANALYSIS DETAIL

The following provides a summary of the estimated annual cash flow projections for a City of Clearwater, Florida (Clearwater) municipal electric utility (MEU), as well as the annual effective all-in rates for the Clearwater MEU and Duke Energy Florida (Duke) as discussed in the accompanying report.

Line No.	CLEARWATER MEU SERVICE TERRITORY - PRO FORMA FINANCIAL ANALYSIS	Unit	2026	2027	2028	2029	2030
1	**Operating Revenues**	$	230,141,351	231,482,537	238,862,162	244,738,376	250,804,800
2	**Operating Expenses**						
3	Power Supply	$	88,096,563	86,881,003	89,935,607	93,125,223	96,441,085
4	Transmission	$	19,985,613	21,110,656	21,852,875	22,627,899	23,433,599
5	Distribution	$	11,692,278	12,013,157	12,415,038	12,882,327	13,370,898
6	Customer	$	9,391,297	9,527,601	9,881,163	10,253,079	10,641,934
7	A&G	$	12,840,444	13,118,880	13,578,965	14,090,062	14,624,437
8	**Total Operating Expenses**	$	142,006,194	142,651,298	147,663,648	152,978,590	158,511,953
9	**Non-Operating Expenses**						
10	Taxes / Franchise Fee Replacement	$	18,545,181	18,953,175	19,370,144	19,796,288	20,231,806
11	Renewals and Replacements (Cash)	$	16,781,240	18,118,368	18,495,677	18,881,287	19,275,381
12	Debt Service Payments						
13	Start - up Cost	$	5,552,009	5,552,009	5,552,009	5,552,009	5,552,009
14	Reserve Contribution	$	5,298,731	5,298,731	5,298,731	5,298,731	5,298,731
15	System Purchase	$	30,968,817	30,968,817	30,968,817	30,968,817	30,968,817
16	Severance and System Build	$	5,046,433	5,046,433	5,046,433	5,046,433	5,046,433
17	Total Debt Service Payments	$	46,865,990	46,865,990	46,865,990	46,865,990	46,865,990
18	Cash Required for Debt Service Coverage	$	5,942,746	4,605,619	4,228,309	3,842,699	3,448,605
19	Cash Required for Reserves	$	-	288,088	2,238,392	2,373,522	2,471,064
20	**Total Non-Operating Expenses**	$	88,135,157	88,831,239	91,198,513	91,759,786	92,292,846
21	**Total Revenue Requirement - MEU**	**$**	**230,141,351**	**231,482,537**	**238,862,162**	**244,738,376**	**250,804,800**
22	Clearwater MEU Load Forecast	kWh	1,778,491,267	1,801,132,107	1,824,322,102	1,848,358,794	1,872,967,084
23	MEU Unit Cost	$/kWh	$0.1294	$0.1285	$0.1309	$0.1324	$0.1339
24	Duke Unit Cost	$/kWh	$0.1437	$0.1364	$0.1395	$0.1427	$0.1459
25	Difference	$	-$0.0143	-$0.0079	-$0.0086	-$0.0102	-$0.0120
26	*Difference*	*%*	*-10%*	*-6%*	*-6%*	*-7%*	*-8%*

Line No.	CLEARWATER MEU SERVICE TERRITORY - PRO FORMA FINANCIAL ANALYSIS	2031	2032	2033	2034	2035
1	**Operating Revenues**	252,824,758	260,347,733	266,784,951	273,483,622	280,412,040
2	**Operating Expenses**					
3	Power Supply	99,859,902	103,367,546	106,966,507	110,695,907	114,557,477
4	Transmission	24,264,315	25,116,615	25,991,104	26,897,287	27,835,585
5	Distribution	12,066,084	12,516,988	12,981,038	13,464,261	13,965,526
6	Customer	11,043,943	11,456,651	11,881,390	12,323,679	12,782,481
7	A&G	14,074,606	14,600,567	15,141,864	15,705,524	16,290,230
8	**Total Operating Expenses**	161,308,850	167,058,367	172,961,903	179,086,657	185,431,299
9	**Non-Operating Expenses**					
10	Taxes / Franchise Fee Replacement	20,676,906	21,131,798	21,596,697	22,071,824	22,557,405
11	Renewals and Replacements (Cash)	19,678,145	20,089,769	20,510,449	20,940,385	21,379,778
12	Debt Service Payments					
13	Start - up Cost	5,552,009	5,552,009	5,552,009	5,552,009	5,552,009
14	Reserve Contribution	5,298,731	5,298,731	5,298,731	5,298,731	5,298,731
15	System Purchase	30,968,817	30,968,817	30,968,817	30,968,817	30,968,817
16	Severance and System Build	5,046,433	5,046,433	5,046,433	5,046,433	5,046,433
17	Total Debt Service Payments	46,865,990	46,865,990	46,865,990	46,865,990	46,865,990
18	Cash Required for Debt Service Coverage	3,045,842	2,634,217	2,213,537	1,783,602	1,344,208
19	Cash Required for Reserves	1,249,025	2,567,592	2,636,374	2,735,164	2,833,360
20	**Total Non-Operating Expenses**	91,515,908	93,289,367	93,823,048	94,396,965	94,980,742
21	**Total Revenue Requirement - MEU**	**252,824,758**	**260,347,733**	**266,784,951**	**273,483,622**	**280,412,040**
22	Clearwater MEU Load Forecast	1,897,615,832	1,921,987,103	1,946,091,180	1,970,588,908	1,995,432,383
23	MEU Unit Cost	$0.1332	$0.1355	$0.1371	$0.1388	$0.1405
24	Duke Unit Cost	$0.1492	$0.1526	$0.1560	$0.1595	$0.1632
25	Difference	-$0.0160	-$0.0171	-$0.0189	-$0.0208	-$0.0226
26	*Difference*	*-11%*	*-11%*	*-12%*	*-13%*	*-14%*

Line No.	CLEARWATER MEU SERVICE TERRITORY - PRO FORMA FINANCIAL ANALYSIS	2036	2037	2038	2039	2040
1	**Operating Revenues**	291,807,349	299,800,163	308,065,208	316,612,017	325,450,465
2	**Operating Expenses**					
3	Power Supply	118,555,955	122,696,249	126,983,445	131,422,811	136,019,807
4	Transmission	28,807,149	29,813,173	30,854,891	31,933,584	33,050,578
5	Distribution	14,485,509	15,024,909	15,584,453	16,164,895	16,767,016
6	Customer	13,258,415	13,752,121	14,264,265	14,795,536	15,346,651
7	A&G	16,896,769	17,525,957	18,178,643	18,855,705	19,558,056
8	**Total Operating Expenses**	192,003,796	198,812,409	205,865,696	213,172,531	220,742,109
9	**Non-Operating Expenses**					
10	Taxes / Franchise Fee Replacement	23,053,667	23,560,848	24,079,187	24,608,929	25,150,325
11	Renewals and Replacements (Cash)	26,948,779	27,520,358	28,104,511	28,701,515	29,311,654
12	Debt Service Payments					
13	Start - up Cost	5,552,009	5,552,009	5,552,009	5,552,009	5,552,009
14	Reserve Contribution	5,298,731	5,298,731	5,298,731	5,298,731	5,298,731
15	System Purchase	30,968,817	30,968,817	30,968,817	30,968,817	30,968,817
16	Severance and System Build	5,046,433	5,046,433	5,046,433	5,046,433	5,046,433
17	Total Debt Service Payments	46,865,990	46,865,990	46,865,990	46,865,990	46,865,990
18	Cash Required for Debt Service Coverage	-	-	-	-	-
19	Cash Required for Reserves	2,935,115	3,040,558	3,149,824	3,263,052	3,380,387
20	**Total Non-Operating Expenses**	99,803,552	100,987,755	102,199,512	103,439,487	104,708,357
21	**Total Revenue Requirement - MEU**	**291,807,349**	**299,800,163**	**308,065,208**	**316,612,017**	**325,450,465**
22	Clearwater MEU Load Forecast	2,020,626,543	2,046,176,399	2,072,087,034	2,098,363,604	2,125,011,341
23	MEU Unit Cost	$0.1444	$0.1465	$0.1487	$0.1509	$0.1532
24	Duke Unit Cost	$0.1668	$0.1706	$0.1745	$0.1784	$0.1825
25	Difference	-$0.0224	-$0.0241	-$0.0258	-$0.0275	-$0.0293
26	*Difference*	*-13%*	*-14%*	*-15%*	*-15%*	*-16%*

Line No.	CLEARWATER MEU SERVICE TERRITORY - PRO FORMA FINANCIAL ANALYSIS	2041	2042	2043	2044	2045
1	**Operating Revenues**	334,590,779	344,043,550	353,819,750	363,930,743	374,388,297
2	**Operating Expenses**					
3	Power Supply	140,780,090	145,709,522	150,814,176	156,100,344	161,574,548
4	Transmission	34,207,249	35,405,020	36,645,367	37,929,819	39,259,960
5	Distribution	17,391,629	18,039,575	18,711,726	19,408,990	20,132,306
6	Customer	15,918,352	16,511,409	17,126,621	17,764,819	18,426,861
7	A&G	20,286,642	21,042,445	21,826,483	22,639,814	23,483,533
8	**Total Operating Expenses**	228,583,962	236,707,970	245,124,373	253,843,785	262,877,209
9	**Non-Operating Expenses**					
10	Taxes / Franchise Fee Replacement	25,703,632	26,269,112	26,847,033	27,437,668	28,041,296
11	Renewals and Replacements (Cash)	29,935,216	30,572,496	31,223,796	31,889,425	32,569,697
12	Debt Service Payments					
13	Start - up Cost	5,552,009	5,552,009	5,552,009	5,552,009	5,552,009
14	Reserve Contribution	5,298,731	5,298,731	5,298,731	5,298,731	5,298,731
15	System Purchase	30,968,817	30,968,817	30,968,817	30,968,817	30,968,817
16	Severance and System Build	5,046,433	5,046,433	5,046,433	5,046,433	5,046,433
17	Total Debt Service Payments	46,865,990	46,865,990	46,865,990	46,865,990	46,865,990
18	Cash Required for Debt Service Coverage	-	-	-	-	-
19	Cash Required for Reserves	3,501,978	3,627,982	3,758,558	3,893,875	4,034,104
20	**Total Non-Operating Expenses**	106,006,817	107,335,580	108,695,377	110,086,957	111,511,088
21	**Total Revenue Requirement - MEU**	**334,590,779**	**344,043,550**	**353,819,750**	**363,930,743**	**374,388,297**
22	Clearwater MEU Load Forecast	2,152,035,551	2,179,441,618	2,207,235,002	2,235,421,245	2,264,005,967
23	MEU Unit Cost	$0.1555	$0.1579	$0.1603	$0.1628	$0.1654
24	Duke Unit Cost	$0.1866	$0.1908	$0.1951	$0.1995	$0.2041
25	Difference	-$0.0311	-$0.0330	-$0.0348	-$0.0367	-$0.0387
26	*Difference*	*-17%*	*-17%*	*-18%*	*-18%*	*-19%*

Line No.	CLEARWATER MEU SERVICE TERRITORY - PRO FORMA FINANCIAL ANALYSIS	2046	2047	2048	2049	2050	2051
1	**Operating Revenues**	385,204,604	396,392,291	407,964,439	419,934,595	432,316,795	445,125,575
2	**Operating Expenses**						
3	Power Supply	167,243,543	173,114,332	179,194,168	185,490,569	192,011,323	198,764,502
4	Transmission	40,637,433	42,063,938	43,541,239	45,071,161	46,655,597	48,296,508
5	Distribution	20,882,650	21,661,032	22,468,503	23,306,152	24,175,108	25,076,544
6	Customer	19,113,642	19,826,086	20,565,155	21,331,844	22,127,190	22,952,263
7	A&G	24,358,779	25,266,731	26,208,613	27,185,697	28,199,300	29,250,789
8	**Total Operating Expenses**	272,236,046	281,932,119	291,977,678	302,385,423	313,168,517	324,340,607
9	**Non-Operating Expenses**						
10	Taxes / Franchise Fee Replacement	28,658,205	29,288,685	29,933,036	30,591,563	31,264,578	31,952,398
11	Renewals and Replacements (Cash)	33,264,936	33,975,470	34,701,636	35,443,777	36,202,245	36,977,400
12	Debt Service Payments						
13	Start - up Cost	5,552,009	5,552,009	5,552,009	5,552,009	5,552,009	5,552,009
14	Reserve Contribution	5,298,731	5,298,731	5,298,731	5,298,731	5,298,731	5,298,731
15	System Purchase	30,968,817	30,968,817	30,968,817	30,968,817	30,968,817	30,968,817
16	Severance and System Build	5,046,433	5,046,433	5,046,433	5,046,433	5,046,433	5,046,433
17	Total Debt Service Payments	46,865,990	46,865,990	46,865,990	46,865,990	46,865,990	46,865,990
18	Cash Required for Debt Service Coverage	-	-	-	-	-	-
19	Cash Required for Reserves	4,179,426	4,330,027	4,486,099	4,647,842	4,815,464	4,989,180
20	**Total Non-Operating Expenses**	112,968,557	114,460,172	115,986,761	117,549,173	119,148,278	120,784,968
21	**Total Revenue Requirement - MEU**	**385,204,604**	**396,392,291**	**407,964,439**	**419,934,595**	**432,316,795**	**445,125,575**
22	Clearwater MEU Load Forecast	2,292,994,868	2,322,393,734	2,352,208,433	2,382,444,916	2,413,109,224	2,444,207,483
23	MEU Unit Cost	$0.1680	$0.1707	$0.1734	$0.1763	$0.1792	$0.1821
24	Duke Unit Cost	$0.2087	$0.2134	$0.2182	$0.2231	$0.2282	$0.2333
25	Difference	-$0.0407	-$0.0427	-$0.0448	-$0.0469	-$0.0490	-$0.0512
26	*Difference*	*-19%*	*-20%*	*-21%*	*-21%*	*-21%*	*-22%*

Line No.	CLEARWATER MEU SERVICE TERRITORY - PRO FORMA FINANCIAL ANALYSIS	2052	2053	2054	2055
1	**Operating Revenues**	458,375,995	472,083,654	486,264,712	500,935,910
2	**Operating Expenses**				
3	Power Supply	205,758,470	213,001,893	220,503,751	228,273,350
4	Transmission	49,995,928	51,755,960	53,578,789	55,466,674
5	Distribution	26,011,676	26,981,765	27,988,121	29,032,101
6	Customer	23,808,178	24,696,090	25,617,195	26,572,738
7	A&G	30,341,583	31,473,153	32,647,027	33,864,789
8	**Total Operating Expenses**	335,915,834	347,908,860	360,334,882	373,209,651
9	**Non-Operating Expenses**				
10	Taxes / Franchise Fee Replacement	32,655,351	33,373,769	34,107,992	34,858,368
11	Renewals and Replacements (Cash)	37,769,608	38,579,245	39,406,693	40,252,346
12	Debt Service Payments				
13	Start - up Cost	5,552,009	5,552,009	5,552,009	5,552,009
14	Reserve Contribution	5,298,731	5,298,731	5,298,731	5,298,731
15	System Purchase	30,968,817	30,968,817	30,968,817	30,968,817
16	Severance and System Build	5,046,433	5,046,433	5,046,433	5,046,433
17	Total Debt Service Payments	46,865,990	46,865,990	46,865,990	46,865,990
18	Cash Required for Debt Service Coverage	-	-	-	-
19	Cash Required for Reserves	5,169,211	5,355,790	5,549,155	5,749,555
20	**Total Non-Operating Expenses**	122,460,161	124,174,794	125,929,830	127,726,258
21	**Total Revenue Requirement - MEU**	**458,375,995**	**472,083,654**	**486,264,712**	**500,935,910**
22	Clearwater MEU Load Forecast	2,475,745,907	2,507,730,803	2,540,168,566	2,573,065,686
23	MEU Unit Cost	$0.1851	$0.1883	$0.1914	$0.1947
24	Duke Unit Cost	$0.2386	$0.2440	$0.2495	$0.2551
25	Difference	-$0.0535	-$0.0557	-$0.0581	-$0.0605
26	*Difference*	*-22%*	*-23%*	*-23%*	*-24%*

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