APPENDIX F

NextEra Energy Resources Presentation to Energy Development and Transmission Committee

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Topics

- Overview of NextEra Energy
- Advancements in wind turbine technology
- Status of federal production tax credits (PTCs)
- Purchase power agreements (PPAs)
- Economic benefits of wind projects

NextEra Energy is a premier U.S. power company comprised of two strong businesses, supported by a common platform

NEXTera ENERGY

- $55 B market capitalization[1]
- 46.3 GW in operation[2]
- $82 B in total assets

FPL

- One of the largest U.S. electric utilities, with 4.8 MM customers
- Vertically integrated, retail rate-regulated
- 25.2 GW in operation

NEXTera ENERGY RESOURCES

- U.S. leader in renewable generation
- Assets in 25 states and Canada
- 21.1 GW in operation[2]

Engineering & Construction

Supply Chain

Nuclear Generation

Non-Nuclear Generation

1) As of October 4, 2016
2) Includes NEE's ownership share of NEP's portfolio

Note: All other data as of December 31, 2015

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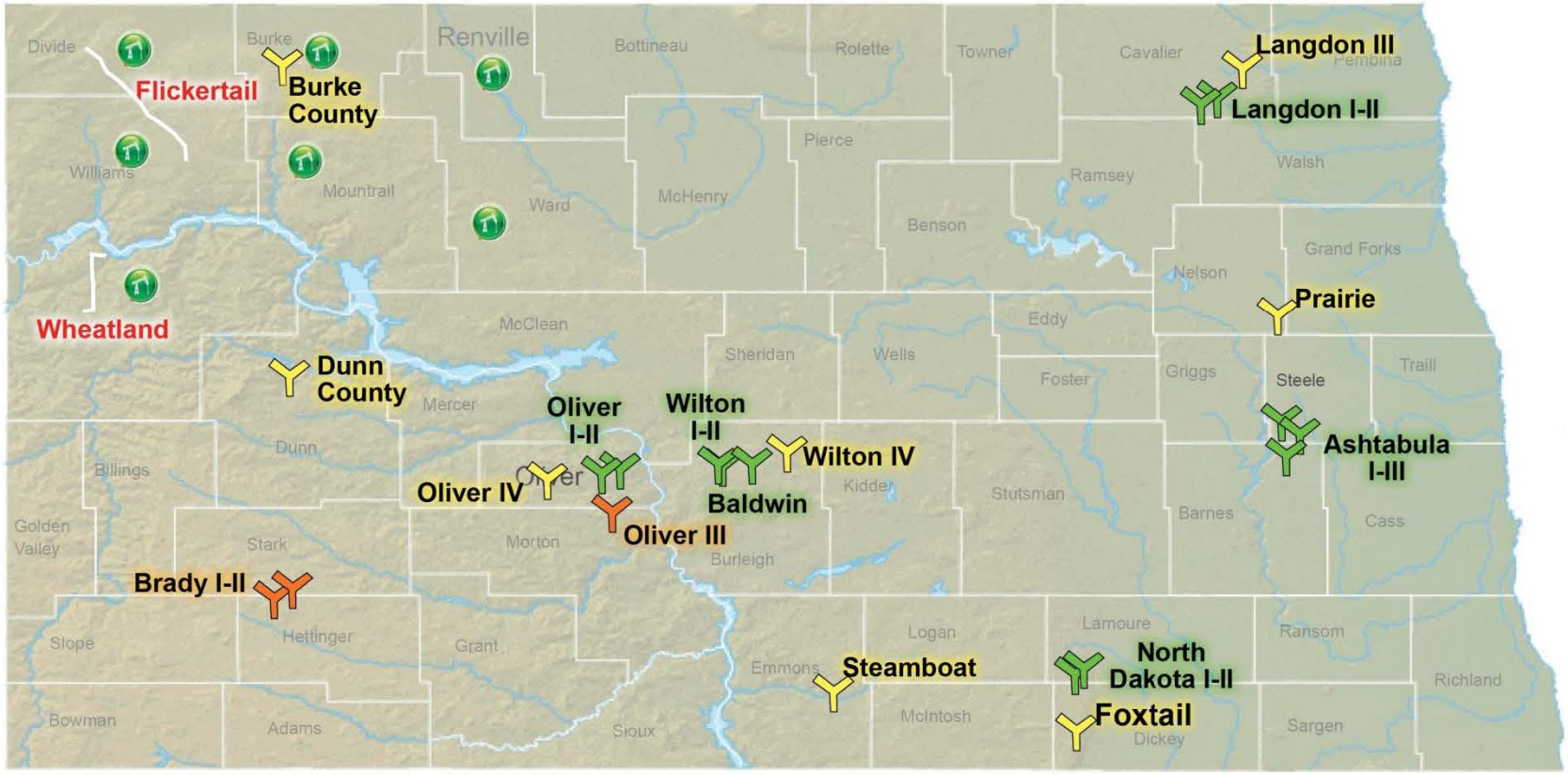
NextEra has invested $2.3B in North Dakota to develop renewable and oil and gas assets

NextEra Energy Resources
An energy leader in North Dakota

- Operating Project
- Development Project
- Under Construction Project



* $1.9 billion invested
* $2.2 million annually paid in property taxes
* $4.6 million annual in lease payments to local landowners
* 79 employees

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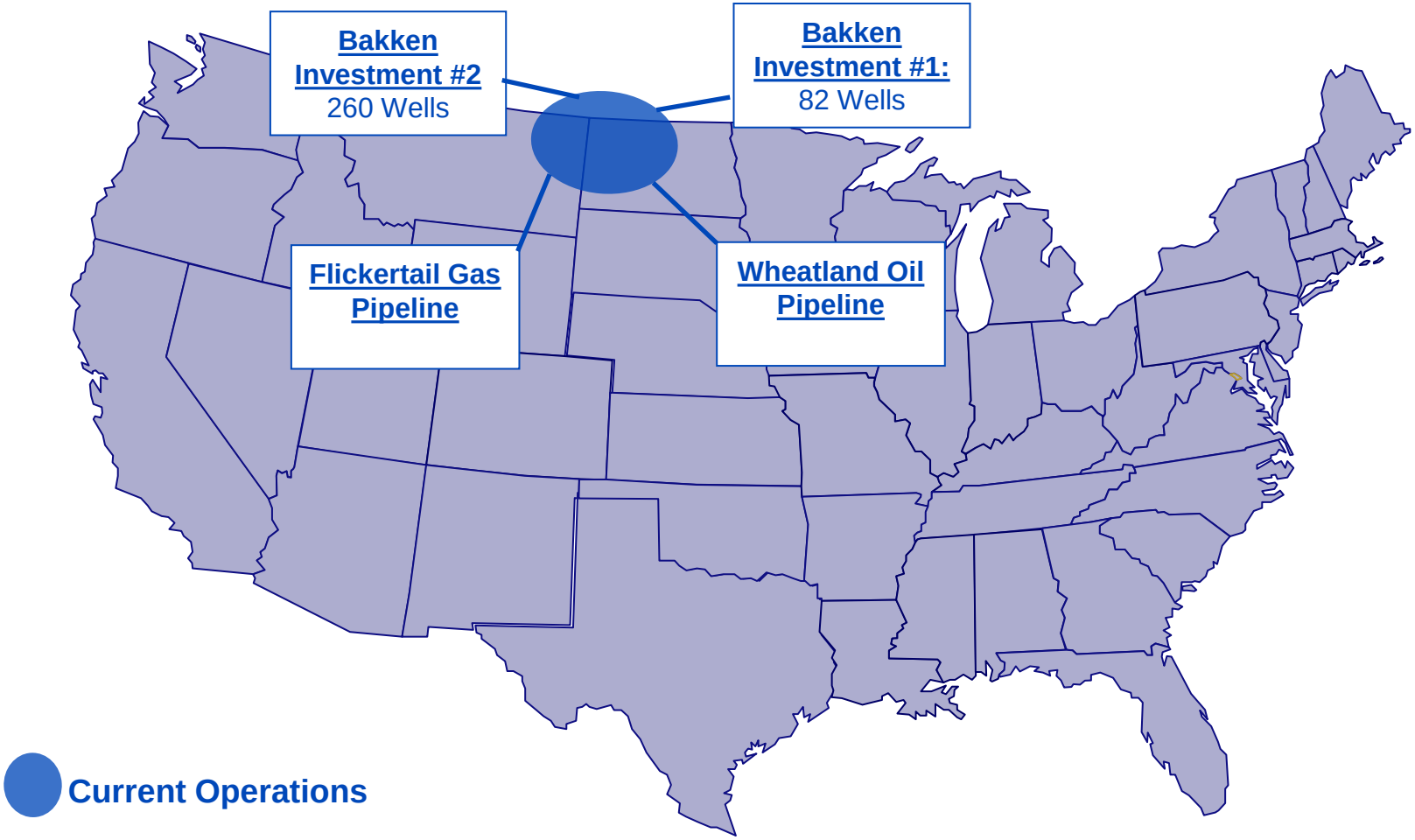
NextEra is rapidly expanding its gas infrastructure business in North Dakota with over $485MM invested to date

Upstream and Midstream Operations



Since 2003, NextEra has invested over $1.9B to develop about 1250 MW of wind projects in North Dakota

North Dakota Wind Projects

Project Name	County	Size	Customer
North Dakota Wind	LaMoure	61.5 MW	Basin Electric, Otter Tail
Wilton Wind Energy	Burleigh	49.5 MW	Basin Electric
Oliver County Wind	Oliver	50.6 MW	Minnesota Power
Wilton Wind II	Burleigh	49.5 MW	Basin Electric
Langdon Wind	Cavalier	118.5 MW	Minnkota Power, Otter Tail
Oliver County Wind II	Oliver	48 MW	Minnesota Power
Ashtabula Wind	Barnes	148.5 MW	Minnkota Power
Langdon Wind II	Cavalier	40.5 MW	Minnkota Power
Ashtabula Wind II	Griggs & Steele	120.0 MW	Great River Energy, Minnkota Power
Baldwin	Burleigh	102.4 MW	Basin Electric
Ashtabula Wind III	Barnes	62.4 MW	Otter Tail
Brady I	Stark	149.7 MW	Basin Electric
Brady II	Hettinger	149.0 MW	Basin Electric
Oliver III	Morton & Oliver	99.3 MW	Minnkota Power

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Wind Turbine Technology Advancements

Significant advancements in wind turbine technology

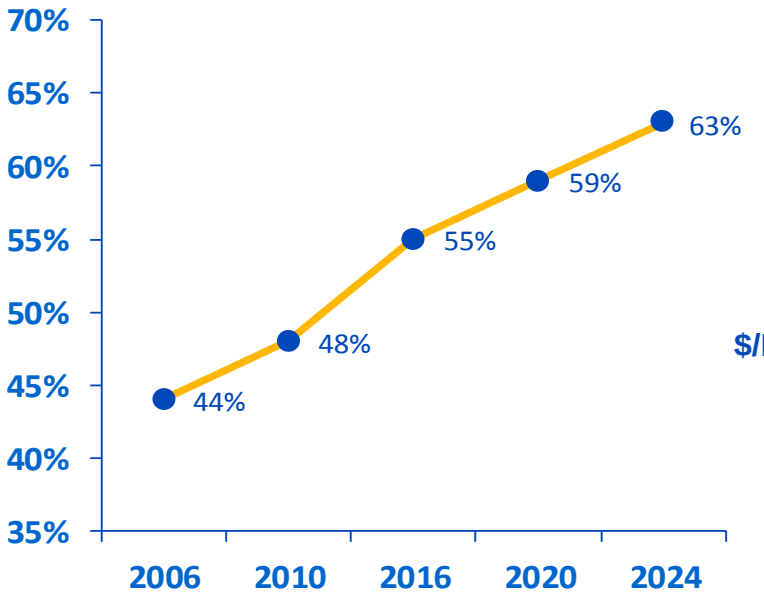
- Wind turbine size
- Wind turbine efficiency
- Average site capacity factor
- Turbine costs

Technological improvements in wind turbines provide customers with lower costs for electric power

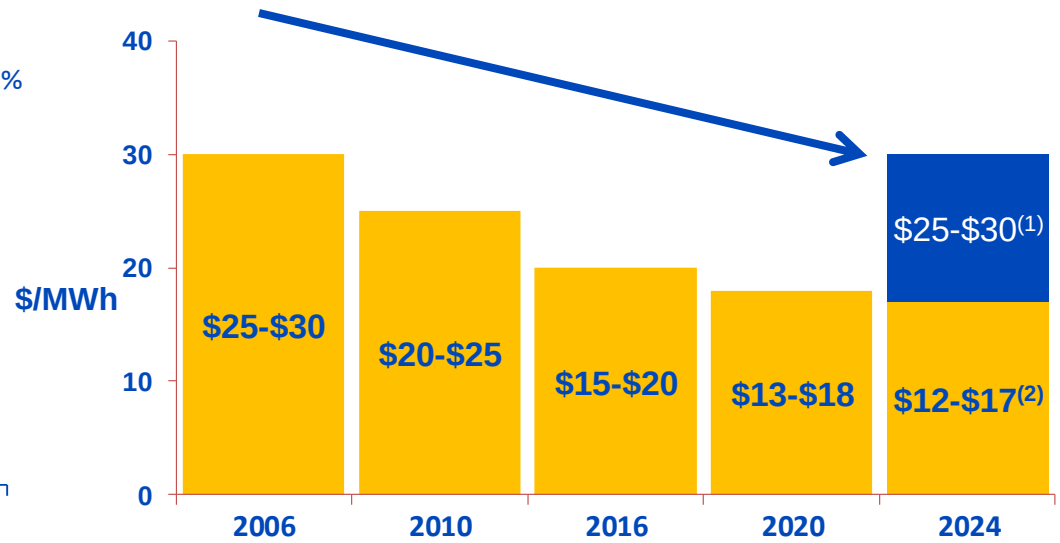
Turbine price reductions and efficiency improvements due to blade length and tower heights have reduced the average delivered cost of new wind, ultimately benefitting electric utility customers

Wind Technology

Net Capacity Factor



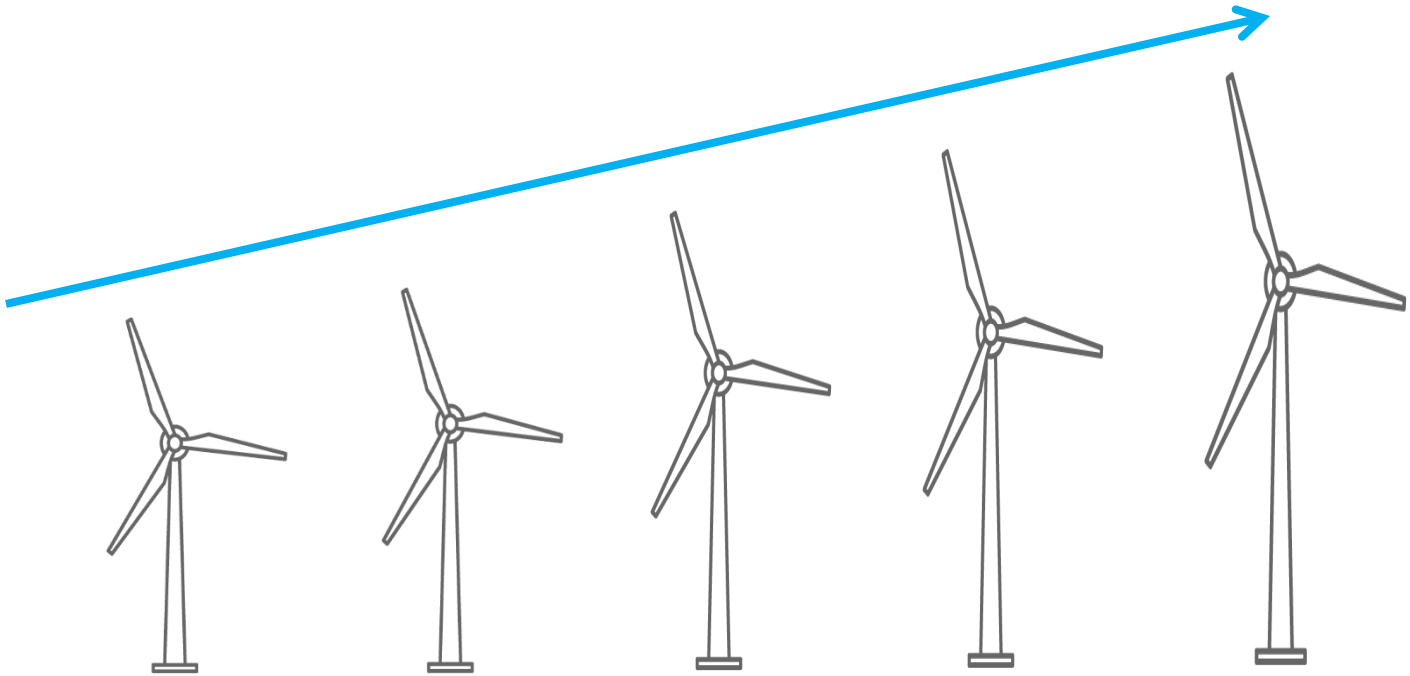
Levelized Cost of Electricity from Wind



Without a continued sales tax exemption electric utility customers will feel the brunt of a $1.50 to $2.00/MWh increase in levelized costs

(1) Without PTC
(2) With full PTC

Wind turbine technology improvements have led to taller tower and larger rotors, both of which add to the capitalized cost of a wind farm



In Service Year	2006	2010	2016	2018	2020
Capacity (MW)	1.5	1.6	2.0 - 2.3	2.0 - 2.5	2.0 - 2.5
Rotor Diameter (Meters)	77	83	108 - 116	116 - 120	116 - 126
Hub Height (Meters)	80	80	80 - 95	80 - 95	80 - 95

Without a continued sales tax exemption increasing capital costs to improve wind turbine efficiency is a losing proposition for developers, wholesale customers, and most of all, retail customers in North Dakota

Federal Wind Production Tax Credits

History and Background

- PTCs are available for any size wind facility
- The PTC is determined based on the amount of electricity produced by the wind facility during the first ten years of commercial operation
- The PTC was created under the Energy Policy Act of 1992 and has been extended several times
- In December 2015, the PTC for wind facilities was extended for five years, subject to a phase down

Federal tax policy has provided the PTC has an incentive that allowed the wind industry to develop, but is now phasing out the tax credit

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The federal tax extenders package passed at the end of 2015 provided a planned phase-out of the PTC

Federal Production Tax Credit Schedule

Wind Production Tax Credit (PTC)

Start of Construction Date	COD Deadline	Wind PTC
Prior to 1/1/2017	12/31/2020	100% (~$23/MWh)
Prior to 1/1/2018	12/31/2021	80% (~$18/MWh)
Prior to 1/1/2019	12/31/2022	60% (~$14/MWh)
Prior to 1/1/2020	12/31/2023	40% (~$9/MWh)

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Purchase Power Agreements (PPAs)

PPA Basics

- **A PPA is a contract between a producer (wind generator) and energy provider (such as a utility or electric co-operative)**
- **Defines the commercial terms between the parties such as:**
  - Price and payment terms
  - Commercial operations date
  - Schedule for delivery
  - Termination

A PPA is a legal contract between a buyer and seller for the sale and purchase of electric power

Purchase Power Agreements (PPAs)

Customer Benefits and Seller Obligations

- **Benefits to the Buyer**
  - Predictable price of power over term of the agreement
  - Construction risk is borne by the seller
  - No up-front expenditures by buyer
  - Opportunity for tax exempt entities to receive benefit of lower priced power that cannot take advantage of PTCs
- **Seller obligations**
  - Assumes all construction risk
  - Assumes risks associated with siting
  - Future cost increases are borne by the seller
  - Assumes the risk of any changes in tax laws
  - Assumes operational and technology risks

A PPA is an alternative to building for electric providers that provides supply portfolio diversity and risk mitigation

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Economic Benefits of Wind

- **NDSU conducted a study on the economic benefits of wind**
- **Besides construction jobs, direct payments of property taxes and landowner payments, the study identified other significant benefits during the construction and operating phase**
  - Community and public utilities
  - Manufacturing (towers and blades)
  - Finance, insurance and real estate
  - Business and personal services
  - Professional and social services
  - Households
- **The study also identified the project provided economic benefits in the project-area and state-wide**

Economic Benefits from NextEra Wind Projects

- Over the last five years, NextEra has paid over $13 million in property taxes in North Dakota.
- Counties receiving property tax payments:
  - Barnes
  - Burleigh
  - Cavalier
  - Griggs
  - LaMoure
  - Oliver
  - Steele
- During this same period, NextEra has paid landowners in these counties over $8 million in lease payments

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Permanency of Sales/Use Tax Exemption for

Wind Generation

- Parity: Sales/use tax exemptions are permanent for all other forms of electric generation.
- EmPower ND Commission unanimously supports passage on the notion of parity.
- Wind previously enjoyed state income and property tax incentives, but the Legislature has phased out these incentives as the wind industry has matured - - just as Congress is phasing out the federal production tax credit.
- Wind generation yields significant economic development in North Dakota. A 2008 study by NDSU researchers showed that the 159 MW Langdon Wind Energy Center would yield these benefits:
    - Construction payments of more than $56 million to North Dakota entities.
    - An additional $169 million in secondary impact, for a total one-time construction impact of $225 million.
    - Operational payments of about $1.4 million annually, including $413,000 in landowner easement payments.
    - An additional $3 million in secondary impact, for a total annual impact of $4.4 million.
    - Annual property tax revenues of $194,000 and $265,000 for Cavalier County and Langdon School District, respectively.
    - A peak construction workforce of 269 workers.
    - A permanent workforce of 10 employees.
- Technological advancements have increased the capacity factor of wind generation from 30% to 50%, yielding low-cost energy for our customers.
- The financial benefit of the sales/use tax exemption is ultimately realized by our customers in the form of lower electricity rates.
- Investment in North Dakota wind generation is preferable to out-of-state investment in wind generation.