MOODY'S
INVESTORS SERVICE

CREDIT OPINION
16 June 2016

Pre-Sale

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Estimated Closing Date

June 2016

Contacts

Andrew Butville 212-553-7236
AVP - Analyst
andrew.butville@moodys.com

Sanjay Wahi 212-553-7828
VP-Senior Credit Officer
sanjay.wahi@moodys.com

Luisa De Gaetano 212-553-3847
Associate Managing Director
marialuisa.degaetanopolverosi@moodys.com

William Black 212-553-4563
MD-Structured Finance
william.black@moodys.com

Duke Energy Florida Project Finance, LLC Series A Bonds

First Duke Energy Florida-Sponsored Utility Cost Recovery Bond

Capital Structure

Exhibit 1
Provisional (P) Ratings

Series	Provisional Rating	Expected Amount	Coupon	Legal Final Maturity Date
Series A 2018	(P)Aaa (sf)	$183,000,000	Fixed	3/1/2022
Series A 2021	(P)Aaa (sf)	$150,000,000	Fixed	9/1/2024
Series A 2026	(P)Aaa (sf)	$436,000,000	Fixed	9/1/2031
Series A 2032	(P)Aaa (sf)	$250,000,000	Fixed	3/1/2035
Series A 2035	(P)Aaa (sf)	$275,290,000	Fixed	9/1/2038
Total		$1,294,290,000		

The ratings address the expected loss posed to investors by the legal final maturity. In Moody's opinion the structure allows for timely payment of interest and ultimate payment of principal at par on or before the rated final legal maturity date. Moody's ratings address only the credit risks associated with the transaction. Other non-credit risks are not addressed, but may have a significant effect on yield to investors.
Source: Duke Energy Florida Project Finance, LLC Series A Preliminary Prospectus dated June 15, 2016

Summary Rating Rationale

We have assigned provisional ratings to the five classes of bonds (Series A bonds, or the bonds) that Duke Energy Florida Project Finance, LLC (the issuer) will issue. The issuer is wholly-owned by Duke Energy Florida, LLC (DEF; A3 Stable), a subsidiary of Duke Energy Corporation (Baa1 negative), one of the largest utility holding companies in the US. DEF formed the issuer to securitize a special charge on DEF customers' utility bills. The charge is imposed to recover certain costs associated with DEF's retirement of its Crystal River Unit 3 (CR3) nuclear power plant, including certain capitalized costs of the retired nuclear generating asset and ancillary costs and fees, as well as financing costs associated with this issuance. The Series A bonds will be the first utility cost recovery bonds sponsored by DEF.

As a regulated utility, DEF is typically entitled to recover specified costs of acquiring, constructing and improving energy generating assets which are generally capitalized and recovered over the useful life of that asset. The Florida Public Service Commission (FPSC) has authorized DEF to recover a specified portion of DEF's remaining unrecovered capitalized and newly incurred costs associated with the early retirement of the CR3 nuclear plant (nuclear asset-recovery costs). The nuclear asset-recovery costs, together with interest and other financing costs, are recovered by irrevocable, binding, nonbypassable charges (nuclear asset-recovery charges) imposed on all DEF transmission and distribution customers for the total value of the nuclear asset-recovery costs. The right to impose, bill, collect and receive the nuclear asset-recovery charges (nuclear asset-recovery property) is the primary collateral backing the Series A bonds.

Our provisional ratings reflect our assessment of the legal and structural aspects of the transaction including the State of Florida's legislation, financing order and state pledge, the mandatory uncapped true-up mechanism, the relatively low level of the recovery charge as compared to prior rated utility cost recovery transactions, the large and diversified ratepayer base, and the credit quality of the servicer.

Credit Strengths

Strength of Legislation and Financing Order: The State of Florida's legislation (Section 366.95, Florida Statutes, or the securitization law), coupled with an irrevocable financing order that became final and non-appealable on December 19, 2015 permits the securitization and strongly protects the nuclear asset-recovery property securing the bonds. Similar to other utility cost recovery securitizations, this transaction benefits from the securitization law's inclusion of a state non-impairment pledge under which the State of Florida pledges to bondholders that it will not (1) alter provisions of the securitization law which make the nuclear asset-recovery charges irrevocable, binding, and nonbypassable; (2) take or permit any action that impairs the value of the nuclear asset-recovery property, or (3) except as authorized by the true-up adjustment mechanism, reduce, alter or impair nuclear asset-recovery charges until the bonds have been repaid in full (the state pledge). In addition, the securitization law and financing order contain the typical strong true-sale and security interest provisions.

FPSC's irrevocable financing order authorizes DEF to recover specified costs of retiring the CR3 nuclear plant by collecting nuclear asset-recovery charges. This nuclear asset-recovery property grants the issuer the right to impose, bill and collect, nonbypassable nuclear asset-recovery charges based on electricity usage, and related rights, including a mandatory uncapped true-up mechanism that periodically adjusts the charges to ensure timely bond payments until the bonds are repaid in full. In this context, nonbypassable refers to the requirement that the charges be levied on all of DEF's existing and future retail electric customers receiving transmission and distribution services in DEF's service area, including customers of any DEF successor or assignee, and even if a customer elects to purchase electricity from an alternative electric supplier following a deregulation of public utilities in Florida.

True-Up Adjustment Mechanism: The true-up adjustment mechanism is the key form of credit enhancement supporting the bonds. The financing order authorizes an uncapped true-up adjustment mechanism that mandatorily adjusts nuclear-asset recovery charges semiannually (and quarterly after the last scheduled maturity date of the bonds of any series) to ensure timely bond payments. In addition, the financing order authorizes more frequent interim adjustments, at any time if the servicer deems necessary to ensure timely bond payments.

Relatively Low Recovery Charge: DEF expects the securitization's initial nuclear asset-recovery charge to represent around 2.5% of the total monthly bill that a 1,000 kilowatt hour (kWh) residential customer in DEF's service area will receive as of April 2016; this percentage charge is relatively low compared to charges in other utility cost recovery transactions. For context, the three most recent utility cost recovery bond issuances we rated, Utility Debt Securitization Authority, sponsored by LIPA, Entergy New Orleans Storm Recovery Funding I, LLC, and the Louisiana Utilities Restoration Corporation Project/ ELL, had a cumulative (including prior utility cost recovery charges to the same customer base) initial recovery charge amounting to 6.9%, 2.5%, and 3.7% of a 1,000 kWh residential bill, respectively.

Strength of the Ratepayer Base: The size, economic stability and diversity of the ratepayer base in DEF's service area is a credit strength. The service area includes the greater Gainesville, Orlando, St. Petersburg, and Tallahassee areas. The service area primarily includes a mix of residential customers (59% by revenue) and commercial customers (28% by revenue). Unlike most other utility cost recovery securitizations, the service area includes very few industrial customers (6% by revenue), which is a credit positive. Energy consumption by industrial customers is more volatile compared with other types of customers, because consumption by industrial operations is more closely tied to the business cycle.

Strength and Experience of the Servicer: We rate DEF A3 with a stable outlook. DEF does not have prior servicing experience with nuclear asset-recovery charges, but is highly experienced in calculating and implementing similar rates and charges under various cost recovery statutes and billing those amounts to customers. DEF has over one hundred years of experience in collecting similar charges from its customers.

Credit Challenges

Challenges to Securitization Law and Financing Order: Potential state and federal legislative and regulatory actions could weaken the legal protections of the nuclear asset-recovery property; however we view this risk as remote. Florida does not have a referendum or initiative process by which voters could challenge the securitization law. Therefore, the only way to repeal or amend the securitization law, or for FPSC to amend or revoke the financing order, would be through an amendment to the state constitution or a legislative action, either of which would violate the state pledge. The risk that the State of Florida would take legislative action that compromises its state pledge to the significant detriment of bondholders is remote because state impairment would give rise to claims under state and federal laws prohibiting government impairment of contracts and taking of private property without reasonable reimbursement under state and federal “taking” claims. The irrevocable and unconditional nature of the financing order mitigates any concern that it could be altered.

The people of the State of Florida have the right to amend the Florida Constitution through initiative powers. It is possible that the people of Florida, using their initiative powers, might amend or repeal the Florida Constitution in a manner affecting the securitization law. The process to propose a revision or amendment to the Florida Constitution by initiative is extremely burdensome. DEF is currently unaware of any efforts to amend the Florida Constitution in a manner which would affect the securitization law in any way.

On February 26, 2016, DEF was served with a class action lawsuit in which the plaintiffs allege that the nuclear cost recovery statute (Section 366.93, Florida Statutes) is unconstitutional on various grounds. The putative plaintiffs seek a refund of costs paid by DEF customers pursuant to the nuclear cost recovery statute. The securitization law is not the subject of this litigation.

We view the risk to bondholders from this litigation as remote. Several past challenges to securitization laws such as this have been unsuccessful, and even in the low likelihood event that this challenge is successful, the arguments put forward by the plaintiffs are generally not relevant to the securitization law.

Potential for Insufficient Collections: Collections arising from the nuclear asset-recovery property could fall short of required distributions on the bonds resulting from inaccurate forecasting of electrical consumption by the servicer, unanticipated delinquencies and defaults, population migration, self-generation and storm damage. DEF’s estimates of market demand, energy prices and growth within its service area could also be inaccurate. These concerns are mitigated by the mandatory uncapped true-up adjustment mechanism, in which the servicer is required to adjust the charges periodically throughout the year to ensure timely payment of the bonds. These true-up adjustments occur semiannually and on an interim basis as needed.

Key Characteristics

Asset Characteristics (as of 15 June 2016)

Exhibit 2

Asset Characteristics

Assets:	Nuclear asset-recovery property, which consists of all rights and interest of the issuer under the financing order, including the right to impose, bill, collect and receive irrevocable, binding, nonbypassable charges based on the usage of electricity from all existing or future customers receiving transmission or distribution service from DEF or its successors or assignees
Service Area:	DEF's service area covers approximately 13,000 square miles, including the greater Gainesville, Orlando, St. Petersburg, and Tallahassee areas, and supplies electric service to approximately 1.7 million residential, commercial and industrial customers

Source: Duke Energy Florida Project Finance, LLC Series A Preliminary Prospectus dated June 15, 2016

Securitization Structure Characteristics

Exhibit 3

Securitization Structure Characteristics

Securities Offered:	Series A Senior Secured Bonds
Amount:	$1,294,290,000
Structure:	Standalone trust
Credit Enhancement:	Mandatory uncapped true-up mechanism, Capital Subaccount
Transaction Parties	
Sponsor/Depositor/Servicer:	Duke Energy Florida, LLC
Issuer:	Duke Energy Florida Project Finance, LLC
FPSC Financial Advisor:	Saber Partners, LLC
Trustee:	The Bank of New York Mellon Trust Company, National Association

Source: Duke Energy Florida Project Finance, LLC Series A Preliminary Prospectus dated June 15, 2016

Assets Overview

In February 2013, DEF announced it would close and decommission the CR3 nuclear power plant. The FPSC has authorized DEF to recover a portion of its remaining unrecovered capitalized and newly incurred costs associated with the early retirement of the plant (nuclear asset-recovery costs). The nuclear asset-recovery costs, together with interest and other financing costs, are recovered by irrevocable, binding, nonbypassable charges (nuclear asset-recovery charges) imposed on all DEF transmission and distribution customers for the total value of the nuclear asset-recovery costs. The right to impose, bill, collect and receive the nuclear asset-recovery charges is the primary collateral (nuclear asset-recovery property) backing the Series A bonds.

The bonds are also secured by funds on deposit in the collection account, including the general subaccount, the capital subaccount and the excess funds subaccount, by the issuer's rights under the various transaction documents, by the issuer's right to compel the servicer to file for and obtain true-up adjustments, and by all payments on or under the pledged collateral and by all proceeds in respect to the pledged collateral.

Assets Description

The Securitization Law

In 2015, the Florida legislature enacted the securitization law, codified as Section 366.95, Florida Statutes. The securitization law allows electric utilities to access lower-cost funds through nuclear asset-recovery bonds pursuant to financing orders issued by the FPSC. One purpose of the securitization law is to lower the cost to customers associated with the long-term financing of costs incurred in connection with the early retirement or abandonment of a nuclear generating asset unit. The early retirement or abandonment must be deemed reasonable and prudent by the FPSC through a final order approving a settlement or other final order issued by the FPSC before July 1, 2017, and the pretax costs to be financed must exceed $750 million.

The securitization law permits DEF to impose irrevocable, binding, nonbypassable nuclear asset-recovery charges on all future and existing customers receiving transmission or distribution service from DEF or its successors or assignees under FPSC-approved rate schedules or under special contracts sufficient to pay principal of and interest on the bonds and other administrative expenses of the offering. The FPSC governs the amount and terms for collections of these nuclear asset-recovery charges through one or more financing orders issued to DEF. Upon the issuance of the bonds these nuclear asset-recovery charges may not be reduced, impaired, postponed, terminated or otherwise adjusted by the FPSC except as adjusted pursuant to the true-up mechanism.

Florida and other states have passed legislation similar to the securitization law to authorize recoveries by utilities of specified costs, such as hurricane recovery costs, environmental control costs, or costs associated with deregulation of the electricity market, and some of those laws have been challenged by judicial actions or utility commission proceedings. To date, none of those challenges has succeeded.

The securitization law provides that a valid and enforceable security interest in nuclear asset-recovery property will attach only upon the later of: the issuance of a financing order, the execution and delivery of a security agreement with the indenture trustee in connection with issuance of a series of bonds, and the receipt of value for such bonds. Although not governed by the UCC, upon filing notice with the Florida UCC registry the lien and security interest will be continuously perfected. The security interest will have priority in the order of filing and take precedence over any subsequent judicial or other lien creditor. No continuation statements are necessary to maintain such perfection. The servicer pledges in the servicing agreement to file in the Florida UCC registry on or before the closing date and the seller will represent that no prior filing has been made.

The Financing Order

The FPSC issued an irrevocable financing order to DEF on November 19, 2015. That financing order became final and non-appealable on December 19, 2015. Pursuant to the financing order, DEF established the issuer to be a bankruptcy-remote special purpose subsidiary to issue the nuclear asset-recovery bonds. In the financing order, the FPSC authorized the imposition and collection of nuclear asset-recovery charges on all DEF transmission and distribution customers. DEF, as initial servicer, will collect nuclear asset-recovery charges on the issuer's behalf and will remit the nuclear asset-recovery charges to the indenture trustee.

The FPSC expects the financing order to result in a substantial cost savings to ratepayers of $708 million or $1.95 per month for 1,000 kWh, versus the traditional method of cost recovery under current and expected market conditions. The financing order has been praised publicly by regulators and consumer advocacy groups, further insulating the financing order from challenge.

The State Pledge

The securitization law includes a pledge from the State of Florida to the bondholders that it will not (1) alter the provisions of the securitization law which make the nuclear asset-recovery charges irrevocable, binding, and nonbypassable; (2) take or permit any action that impairs the value of nuclear asset-recovery property; or (3) except as authorized by the true-up adjustment mechanism, reduce, alter, or impair the nuclear asset-recovery charges until the bonds have been repaid in full.

Any action of the Florida legislature adversely affecting the nuclear asset-recovery charges or the ability to charge or collect the charges would likely require the State of Florida to pay just compensation under the "takings clause" of the US and Florida Constitutions. The seller agrees that it will institute any action or proceeding necessary to compel performance by the FPSC, the State of Florida or any of their respective agents of any of their obligations or duties under the securitization law or any financing order.

The Nuclear Asset-Recovery Charges

The nuclear asset-recovery charges are nonbypassable, consumption-based charges separate and apart from DEF's base rates; the nuclear asset-recovery charges are to be paid by all existing and future customers receiving transmission or distribution service from DEF or its successors or assignees under FPSC-approved rate schedules or under special contracts. Such customers must pay nuclear asset-recovery charges even if DEF goes out of business and its transmission and distribution services are taken over by another utility or if a customer elects to purchase electricity from an alternative electric supplier following a fundamental change in regulation of public utilities in Florida. No customer receiving transmission or distribution service from DEF can avoid the charge. The only way to avoid the charge is to disconnect from DEF's electric grid.

The nuclear asset-recovery charges are permitted to continue for 276 months from issuance, or until the bonds are paid in full. The expected scheduled final payment date for the Series A 2033 bonds is 240 months from issuance, providing up to an additional 36 months of nuclear asset-recovery charges if necessary to pay the bonds.

The Nuclear Asset-Recovery Costs

The nuclear asset-recovery charges authorized by the financing order allow DEF to recover nuclear asset-recovery costs related to retiring the CR3 nuclear plant located in Citrus County, Florida. CR3 was originally placed in service in 1977. In February 2013, DEF announced the early retirement of the project. DEF's unrecovered net investment in the project was approximately $1.6 billion. In October 2013, the FPSC approved a settlement agreement whereby DEF agreed to write-off approximately $300 million of its unrecovered net investment in CR3. The settlement agreement allowed DEF to recover its remaining unrecovered net investment in the project of approximately $1.3 billion over a 240 month period beginning no later than the first billing period of January 2017.

The nuclear asset-recovery costs financed by the bonds are equal to (i) the balance of the CR3 regulatory asset as of December 31, 2015 as allowed under the financing order minus (ii) $35,894,547, which, pursuant to the FPSC's Final Order PSC-16-0138-FOF-EI issued on April 5, 2016, shall not be included as part of the CR3 regulatory asset, plus (iii) carrying charges accruing at 6.0% per annum on the balance of the CR3 regulatory asset (adjusted as described in (ii) above) from December 31, 2015 through June 21, 2016.

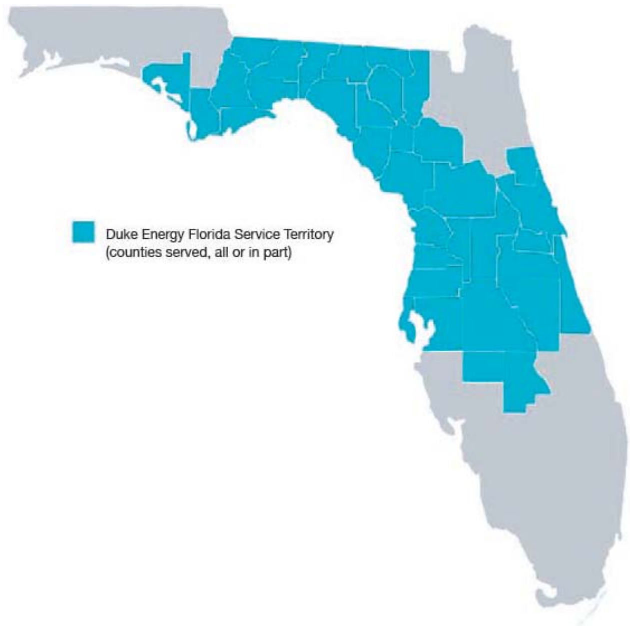
Excluded from the amount being financed is $35,894,547 of costs claimed pursuant to Section 366.93, Florida Statutes. On February 26, 2016, DEF was served with a class action lawsuit in which the plaintiffs allege that the nuclear cost recovery statute (366.93) is unconstitutional on various grounds. The putative plaintiffs seek a refund of costs paid by DEF customers pursuant to the nuclear cost recovery statute. The securitization law is not the subject of this litigation.

The suit claims DEF unlawfully charged customer higher rates to cover more than $1.2 billion in expenses at its Crystal River nuclear power plant and at its proposed (and now shelved) Levy County nuclear plant site. In addition to the suit seeking relief for nuclear recovery costs, it also seeks to nullify as unconstitutional the nuclear cost recovery system and all nuclear cost recovery orders issued by the FPSC, and it seeks an order enjoining defendants from further unlawful charges. The likelihood of the lawsuit prevailing is low considering other lawsuits challenging the constitutionality of Florida's nuclear cost recovery statute have been found to be without merit and rejected by Florida courts.

The Service Area

DEF's service area covers approximately 13,000 square miles, including the greater Gainesville, Orlando, St. Petersburg, and Tallahassee areas, and supplies electric service to approximately 1.7 million residential, commercial and industrial customers. During the twelve months ended December 31, 2015, DEF billed approximately 38.6 billion kilowatt hours of electricity to its covered electric customers in Florida, resulting in revenues of approximately $4.4 billion. Exhibit 4 below shows a map of DEF's service area.

Exhibit 4
Duke Energy Florida Service Area



Source: Duke Energy Florida Project Finance, LLC Series A Preliminary Prospectus dated June 15, 2016

Statutory Uncapped True-Up Adjustment Mechanism

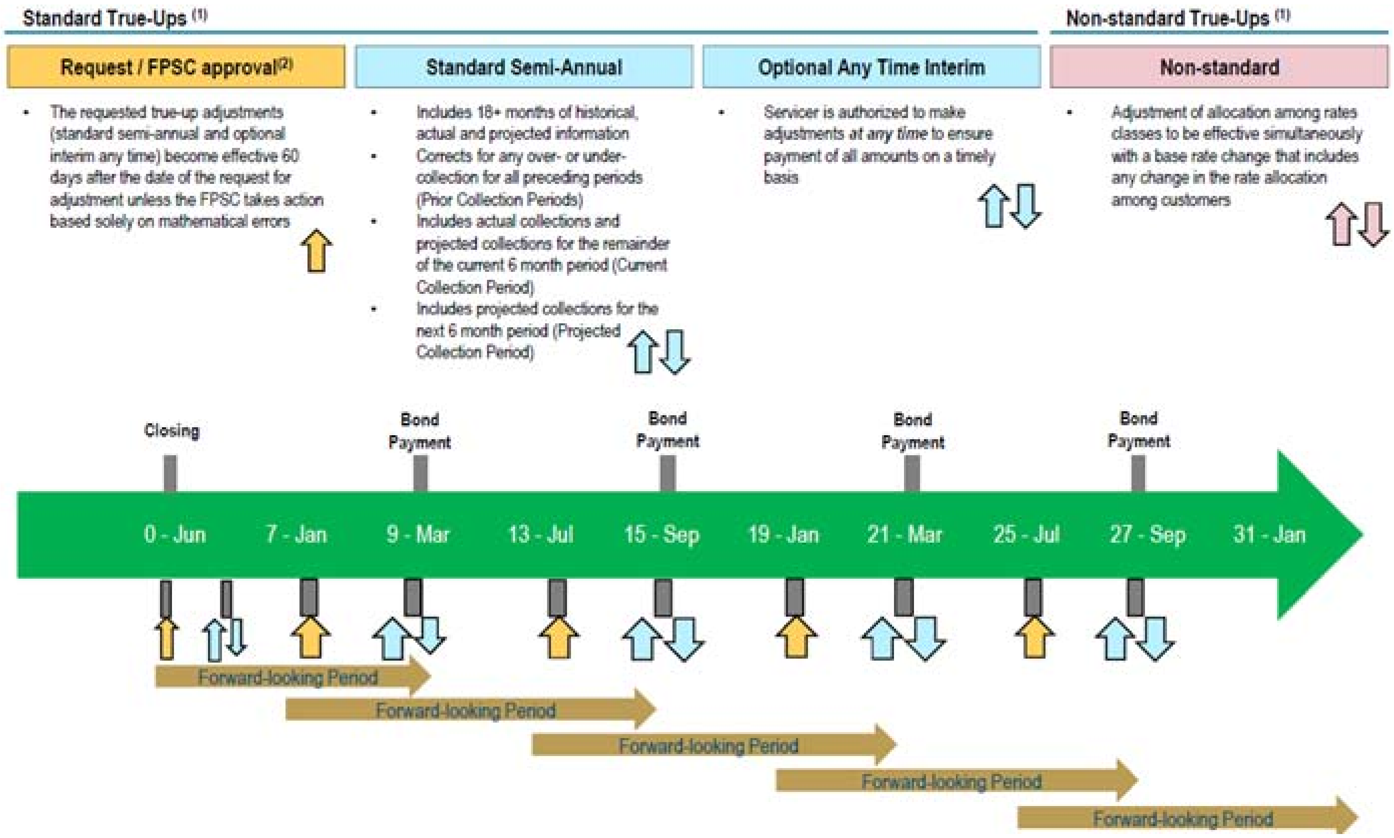
The securitization law and the financing order require that the issuer or DEF file with the FPSC at least semi-annually (and quarterly after the scheduled final payment date for the latest maturing bond) a letter applying the true-up mechanism to correct for any overcollection or undercollection of the nuclear asset-recovery charges and make any adjustments to ensure the recovery of revenues sufficient to provide for the timely payment of scheduled principal and interest on the bonds and other required amounts and charges. The FPSC's review of any adjustment request is limited solely to determining whether there is any mathematical error in the application of the formula-based mechanism.

Under the servicing agreement, the servicer will make adjustments to the nuclear asset-recovery charges at least semi-annually. In addition to the semi-annual true-up adjustment, the servicer is authorized to make interim adjustments at any time for any reason to ensure the timely payment on the bonds. In addition, the servicer will make a non-standard true-up adjustment to be effective simultaneously with a base rate change that includes any change in the rate allocation among customers used to determine the nuclear asset-recovery charges. Exhibit 5 below illustrates the true-up mechanism.

Under the irrevocable financing order, the FPSC guarantees it will act, as directed by the securitization law, to implement the true-up mechanism for making any adjustments that are necessary to correct for any overcollection or undercollection of the nuclear asset-recovery charges or to otherwise ensure the timely payment of principal of and interest on the bonds when due.

Exhibit 5

True-Up Mechanism



Source: DEF

Servicing

DEF will be the initial servicer of the bonds. DEF, as servicer, will be responsible for, among other things, calculating, billing, collecting and posting the nuclear asset-recovery charges from customers, submitting requests to the FPSC to adjust these charges, monitoring the collateral for the bonds and taking certain actions in the event of non-payment by a customer. The indenture trustee's receipt of collections in respect of the nuclear asset-recovery charges, which will be used to make payments on bonds, will depend in part on the skill and diligence of the servicer in performing these functions.

DEF does not have prior servicing experience with nuclear asset-recovery charges, but is highly experienced in calculating and implementing similar rates and charges under various cost recovery statutes and billing those amounts to customers. DEF has over one hundred years of experience in collecting similar charges from its customers.

DEF will be entitled to receive an annual servicing fee in an amount equal to 0.05% of the aggregate initial principal amount of the bonds. This servicing fee will be payable in equal installments on each semi-annual payment date, in arrears. If DEF or any of its affiliates is not the servicer, the successor servicing fee may be up to 0.60% of the initial principal amount of the bonds unless a higher fee is approved by the FPSC.

In the event of a servicer default, the indenture trustee, at the direction of a majority of bondholders or at the direction of the FPSC, may terminate the rights and obligations of the servicer under the servicing agreement. However, replacement of the servicer would require the agreement of the indenture trustee and the administrative agents under DEF's accounts receivable sale programs.

Credit, Billing and Budget Billing

DEF is required to provide transmission and distribution service to all qualified customers. First time customers establishing residential electric accounts are generally required to pay a deposit as are customers that do not satisfy threshold credit score requirements.

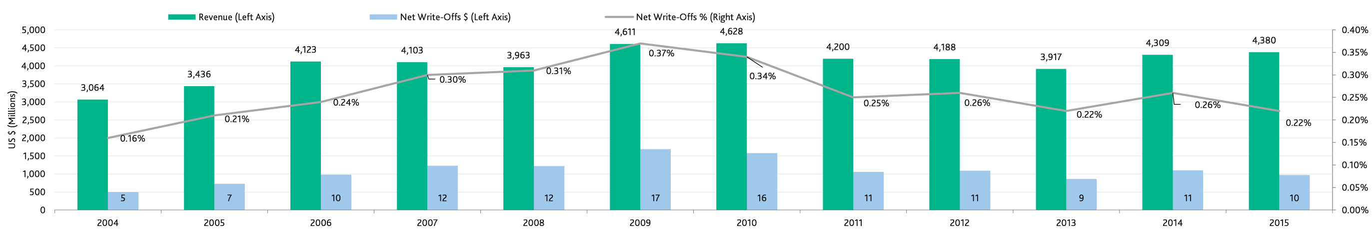
The amount of the deposit reflects the estimated use over a two-month period, which is the maximum DEF may collect by law. As a general rule, non-residential accounts require deposit coverage. Consumer credit is not used to determine credit worthiness on non-residential accounts.

DEF bills its customers once every 24 to 39 days and distributes approximately 85,000 bills on each business day to its customers. Approximately 6% of DEF's residential customers choose to be billed using DEF's budget billing program. For these customers, DEF determines and bills a monthly budget based on the last twelve months of billing history for each account. Budget billing does not affect the amount of nuclear asset-recovery charges that the servicer remits to the indenture trustee on a daily basis.

Bills are due 21 calendar days after the issue date at which time they are considered delinquent. For the year ended December 31, 2015, approximately 6% of total billed retail revenue became eligible for disconnect and 1% was disconnected. Approximately 87% of accounts disconnected for nonpayment ultimately make full payment and have service restored. Unpaid final bills are written off approximately 30 days after the final bill is issued.

Exhibit 6 below shows net write-offs since 2004, which have ranged from a low of 16bps of billed revenue in 2004 to a crisis period peak of 37bps in 2009. DEF's forecast is 26 bps, consistent with the post-crisis performance history.

Exhibit 6
Net Write-Offs as a Percentage of Billed Retail Revenues



Source: DEF

While more than 7.5% of customers are typically 30-59 days past due, by the third month most delinquencies are cured, with those still outstanding past 90 days well under 1% throughout the observation period. Exhibit 7 shows DEF customer delinquency data since 2005.

Exhibit 7
Delinquencies as a Percentage of Total Billed Revenues

	As of 2005	As of 2006	As of 2007	As of 2008	As of 2009	As of 2010	As of 2011	As of 2012	As of 2013	As of 2014	As of 2015
30-59 days	8.27%	8.51%	9.66%	8.41%	9.38%	7.82%	7.79%	7.59%	7.48%	7.79%	7.73%
60-89 days	0.92%	0.87%	1.12%	1.07%	0.78%	0.59%	0.57%	0.54%	0.59%	0.64%	0.57%
90+ days	0.52%	0.56%	0.90%	0.66%	0.51%	0.33%	0.22%	0.21%	0.28%	0.33%	0.33%
Total	9.71%	9.94%	11.68%	10.14%	10.67%	8.75%	8.58%	8.34%	8.35%	8.76%	8.63%

Source: DEF

Assets Analysis

Strong Service Area

This transaction benefits from the size and diversity of the ratepayer base within DEF's service area and the projected population growth and economic stability of the ratepayer base. During 2015, approximately 9% of DEF's total retail billed electric consumption was by industrial customers, approximately 31% was by commercial customers and approximately 52% was by residential customers, with other entities comprising approximately 8%. Exhibit 8 shows the percentage of total billed revenue attributable to each customer class since 2004.

Exhibit 8

Sales by Revenue Class (% of Total Billed Revenue)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Residential	57.91%	57.70%	56.85%	57.21%	56.94%	57.34%	59.72%	58.18%	56.96%	58.49%	58.85%	59.43%
Commercial	27.66%	27.57%	27.89%	28.06%	28.39%	28.46%	27.01%	28.10%	28.85%	28.11%	27.81%	27.51%
Industrial	7.65%	7.73%	7.98%	7.34%	7.31%	6.70%	6.14%	6.40%	6.53%	6.12%	6.10%	5.91%
Streetlighting	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.04%	0.04%	0.05%	0.04%	0.04%	0.04%
Public Authority	6.73%	6.95%	7.22%	7.34%	7.31%	7.44%	7.09%	7.28%	7.61%	7.24%	7.20%	7.11%

Source: DEF

For the year ended December 31, 2015, the ten largest retail electric customers represented approximately 8.3% of DEF's retail kilowatt-hour sales. There are no material concentrations in the residential class. As of the closing date, no customer or group of related commercial or industrial customers will be obligated to pay more than 10% of the nuclear asset-recovery charges.

Exhibit 9

Top 10 DEF Customers

	Industry	Energy Usage (MWh)	% of Total Energy Usage	Revenues ($000)	% of Total Revenues
1	Mining/Chemical Processing	691,591	1.79%	$46,289	1.06%
2	Education	456,852	1.18%	$37,972	0.87%
3	Retail Grocery	393,738	1.02%	$35,619	0.81%
4	Mining/Chemical Processing	340,470	0.88%	$23,343	0.53%
5	Education	252,072	0.65%	$27,720	0.63%
6	Retail Trade	250,016	0.65%	$24,409	0.56%
7	Stone/Clay/Glass	236,193	0.61%	$15,771	0.36%
8	Education	201,586	0.52%	$23,188	0.53%
9	Retail Grocery	199,997	0.52%	$19,744	0.45%
10	Government	175,246	0.45%	$16,124	0.37%
	Total	3,197,761	8.29%	$270,179	6.17%

Source: DEF

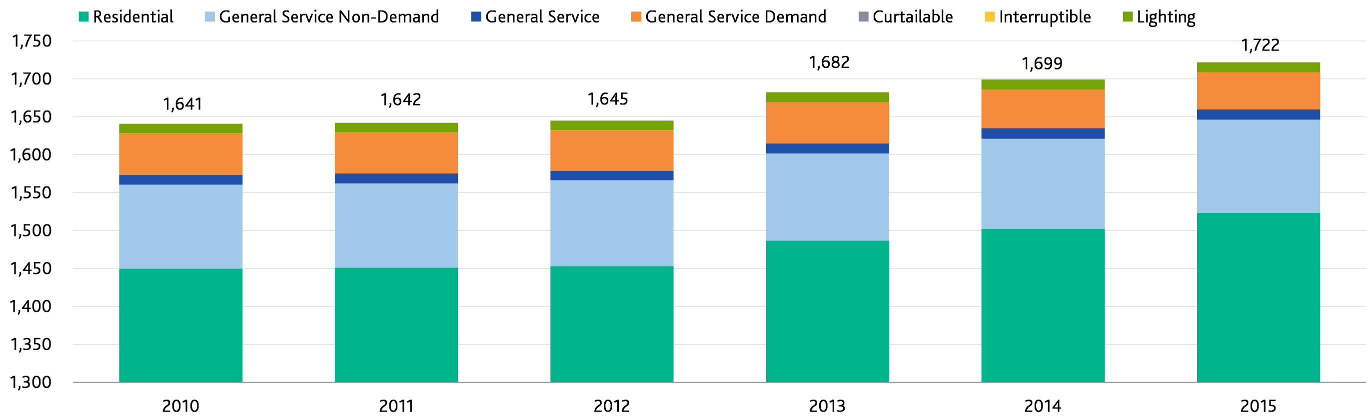
Remote Risk of Severe Ratepayer Base Declines

The ratepayer base is sensitive to many macroeconomic factors, including service area population and household formation growth, expected disconnects due to use of self-generation, changes in the service area and potential municipalizations. We view the risks to the transaction of ratepayer base declines due to any of these factors to be low.

Population Growth

Florida's robust population trend is a benefit to the transaction. According to the Census Bureau, the state's population grew an average of 1,000 residents per day in 2015. This 1.8% increase was the largest since 2006 and the strongest in the South. Despite the rapid rise, population growth will likely accelerate further because the pace remains historically weak. In the 50 years before the Great Recession, annual population growth in the state exceeded last year's pace by 47 times. Florida should also expect faster expansion because its cities appeal to Hispanics—the nation's fastest growing ethnic group—and retiring baby boomers— the fastest-growing age group in the U.S. In 2015, for the third consecutive year, The Villages, Central Florida's retiree haven, was the nation's fastest growing metro area in population. Exhibit 10 shows that growth in the average number of DEF retail electric customers since 2010.

Exhibit 10
Average Number of Retail Electric Customers



Source: DEF

Self-Generation

We look at the potential for increased use of self-generation as a minor headwind to the transaction. Self-generation, which primarily includes solar, reduces the ratepayer base and increases the burden of nuclear asset-recovery charges on other non-self-generating ratepayers. Based on existing legislation precluding the use of third-party owned solar equipment, DEF expects the estimated cost of self-generation for customers, combined with the practical obstacles to installing on-site generation, to limit self-generation from being installed by any meaningful number of customers within the service area. DEF forecasts self-generation to grow slowly over the next three years, and incorporates self-generation into its electricity consumption forecasts. The securitization law and financing order do not provide for exit fees to be charged to any customers that might leave the grid to self-generate.

Change in Service Area

We look at the risk of a ratepayer base decline due to a change in the service are to be minimal. The nuclear asset-recovery charge will be recoverable from all DEF customers taking transmission or distribution service from DEF. Thus, if the service area expands in the future, the new DEF customers would be subject to the nuclear asset-recovery charge on a going-forward basis. Pursuant to the financing order, any successor to DEF is required to perform all obligations and have the same rights under the financing order as DEF, including the collection of the nuclear asset-recovery charges from customers and payment of appropriate amounts to the issuer.

Municipalization

We view the risk to the ratepayer base due to municipalization as low due to the nonbypassability of the charges and the likelihood that even after a municipalization, DEF's transmission and distribution services will continue to be used. While multiple municipal utilities exist in Florida, DEF is unaware of any municipality that has municipalized, or attempted to municipalize, a portion of an investor-owned utility's service territory in the absence of an agreement. One municipality, the City of Winter Park, was municipalized pursuant to such an agreement. DEF previously had a franchise agreement that provided Winter Park with a unilateral purchase option at the expiration of the franchise agreement. In the instance of the Winter Park municipalization, DEF sought affirmative permission from the FPSC to be relieved of its obligation to serve the City of Winter Park, which the FPSC subsequently approved. Any municipality using DEF's transmission and distribution system following a municipalization will be considered a successor and its customers will be subject to the nuclear asset-recovery charge.

Storm Damage

We view the risk of reduced collections due to weather to be low, and substantially mitigated via the true-up mechanism. Hurricanes, tropical storms or wind storms may impact DEF's operations, temporarily interrupting transmission, distribution and consumption of electricity, hence reducing the collections of nuclear asset-recovery charges. There might be longer-lasting weather-related adverse effects on residential and commercial development and economic activity in the DEF service area, which could cause the per-kWh nuclear asset-recovery charge to be greater than expected.

The only year with any significant loss of energy consumption due to natural disasters was 2004, when a series of three Hurricanes struck the DEF service area. The impacts came from "Charley" (Aug 13-20), "Frances" (Sep 4-10) and "Jeanne" (Sep 25-30). Estimated lost energy sales came from studying reduced levels of daily system requirements totaling 400,000 MWh over these three disasters. This represents about 1% of the total annual electric usage for 2004 (38,193 GWh).

Forecasting Electricity Consumption

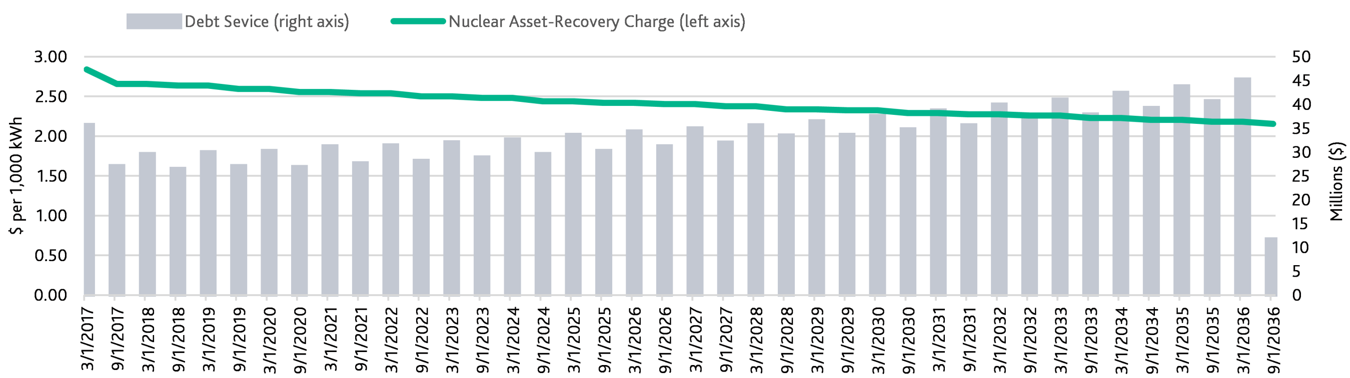
The nuclear asset-recovery charges are assessed based on forecasted customer usage. The amount and the rate of nuclear asset-recovery charge collections will depend in part on actual electricity consumption and the amount of collections and write-offs. If the servicer inaccurately forecasts electricity consumption or underestimates customer delinquency or write-offs when setting or adjusting the nuclear asset-recovery charges, there could be a shortfall or material delay in nuclear asset-recovery charge collections prior to the next true-up.

The forecast utilized in the proposed bond structure is the 2016 Ten Year Site Plan filed with the FPSC in April 2016. Internal forecasts are updated at least twice per year but are not filed with the FPSC. The DEF forecast of customers, energy sales, and peak demand applies both an econometric and end-use methodology. External sources of data include economic series from Moody's Analytics and State population data from the University of Florida's Bureau of Economic & Business Research. Internal company forecasts are used for projections of electricity price, and weather conditions. The forecast incorporates population and household trends, employment and production trends, technology and energy efficiency trends, and weather and climate trends. DEF has a more granular forecast for the phosphate industry, at the customer level, due to the high concentration of customers in this industry among DEF's industrial customer base.

Exhibit 11 shows the forecasted nuclear asset-recovery charge per 1,000 kWh and scheduled debt service payments.

Exhibit 11

Nuclear Asset-Recovery Charge and Debt Service ($ per 1,000 kWh)*



**Preliminary and subject to change based on market conditions*
Source: DEF; Moody's calculations

Forecast Variance

For there to be insufficient funds to pay ultimate principal and timely interest on the bonds, there would need to be unexpected, persistent and extensive drops in electricity consumption. Without an interim true-up adjustment, greater than 60% forecast variance would be needed leading up to any payment date to cause a payment default. Greater than 65% forecast variance would be needed in the first payment period to cause a payment default, assuming the servicer makes an interim true-up adjustment midway into the first payment period. By contrast the maximum forecast variance since 2011 has been less than 6%, as shown in Exhibit 12.

Exhibit 12

Annual Forecast Variance for Ultimate Electric Delivery (% of Forecast)

	2011	2012	2013	2014	2015
Residential	0.27%	-0.23%	-0.08%	2.14%	1.92%
Commercial	2.00%	0.82%	0.80%	1.40%	0.44%
Industrial	-3.09%	1.56%	-1.88%	3.87%	-3.25%
Public Authority	-2.40%	5.92%	0.50%	1.00%	-0.65%

Source: DEF

Cash Flow Analysis

We examined the cash flows that the nuclear asset-recovery charges will generate under various scenarios. In light of the strength of the ratepayer base, the purpose was primarily to see how high the nuclear asset-recovery charges can go as a percentage of a 1,000 kWh residential customer's bill and also to illustrate how the nuclear asset-recovery charges behave under various stress scenarios of customer demand. Our rating is primarily based on qualitative analysis of the political, legal and regulatory aspects of the securitization and the strength of the ratepayer base. However, we run these stress scenarios to confirm the level of the nuclear asset-recovery charges is consistent with other comparable transactions.

Even if the financing order is irrevocable, the nuclear asset-recovery charges or the law that authorizes them could be subject to challenge in the courts or to future political pressure to rescind or change them through legislation. Such challenge is more likely the higher the charges, i.e., the more the economic incentive for a challenge, or in circumstances where the financial imbalances in a utility system increase. Consequently, our economic analysis focuses on the size of the nuclear asset-recovery charge, both in absolute terms and as a percentage of the customer's energy bill. Even in our more extreme scenarios, the percentage of a residential customer's monthly bill devoted to the nuclear asser-recovery charge is less than 7%.

We looked at three scenarios:

Scenario Description and Projected Output

Base Scenario

1. Electricity consumption as per the projections by DEF, which increases annually by a compounded 1 - 1.5%, through bond maturity
2. Implied net charge-offs of 0.2615%
3. Collection Curve projects 13.3% of collections within 30 days and 86.4% of collections between 30-60 days
4. Servicing fee is 0.05% on an annualized basis of the original principal amount of bonds so long as the servicer remains DEF or an affiliate. While a back-up servicer has not been retained, the issuer can increase servicing fees to 0.60% to attract one if needed.

Stress Scenario 1

1. Electricity consumption decreases linearly by 5% every year until it reaches 50% of the projected consumption for residential customers and 65% for non-residential customers
2. Annual net charge-offs are the same as in base case
3. Collection curve is the same as in base case
4. Loss of 100% of the collections from the peak consumption month and 50% of the collections from the second highest consumption month each year
5. Replacement servicing fee of 0.60% per year of the initial bond balance with other expenses the same as in the base case

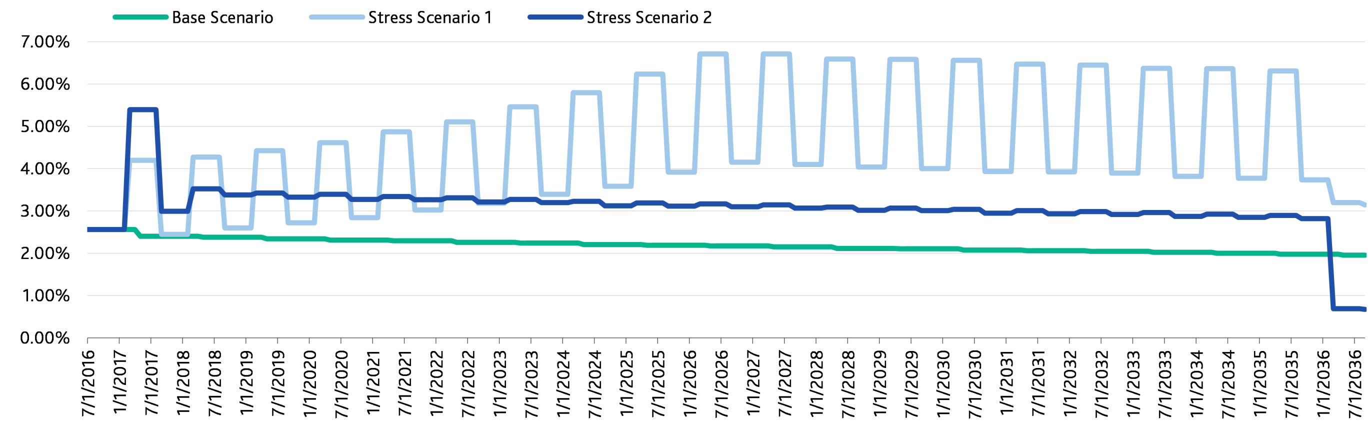
Stress Scenario 2

1. Electricity consumption is reduced by 25% permanently against the first year base case projection

2. Annual net charge-offs the same as in base case
3. Collection curve is the same as in base case
4. Servicing fee and all other fees the same as in base case

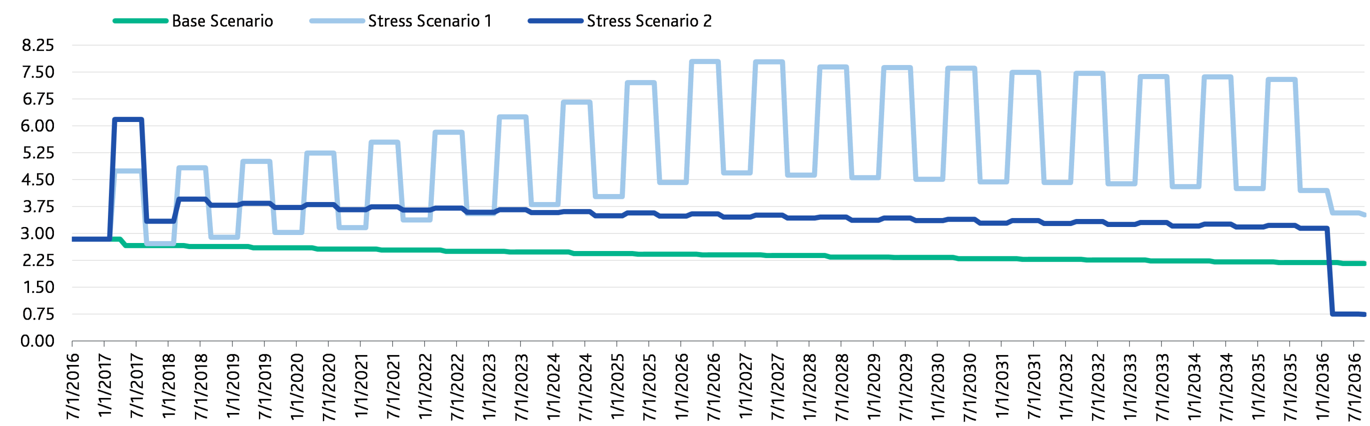
For all of the scenarios, the bonds are fully paid by their legal final maturity dates. Exhibit 13 shows the projected nuclear asset-recovery charge as a percentage of a 1,000 kWh residential customer's total bill, and Exhibit 14 shows the projected nuclear asset-recovery charges for customers per 1,000 kWh over the securitization's life. The periodic variance in the charges under the stress scenarios is due to the semiannual true-ups capturing seasonality in electricity usage.

Exhibit 13
Nuclear Asset-Recovery Charge as a Percentage of a 1,000 kWh Customer's Total Bill



Source: DEF; Moody's calculations

Exhibit 14
Nuclear Asset-Recovery Charge ($ per 1,000 kWh)



Source: DEF; Moody's calculations

Comparables

As shown in Exhibit 15, stress scenario 1 is more stressful and results in a peak nuclear asset-recovery charge equal to about 6.94% of a 1,000 kWh per month customer's bill. This is low compared to other utility cost recovery deals.

Exhibit 15
Maximum Recovery Charge Comparison (% of a 1,000 kWh Customer's Bill)

Deal name	Base	Stress1	Stress2
DEF 2016-1	2.65%	6.94%	4.73%
UDSA 2016A	7.21%	16.04%	10.40%
UDSA 2015	7.00%	12.32%	7.89%

Source: Moody's

Securitization Structure Overview

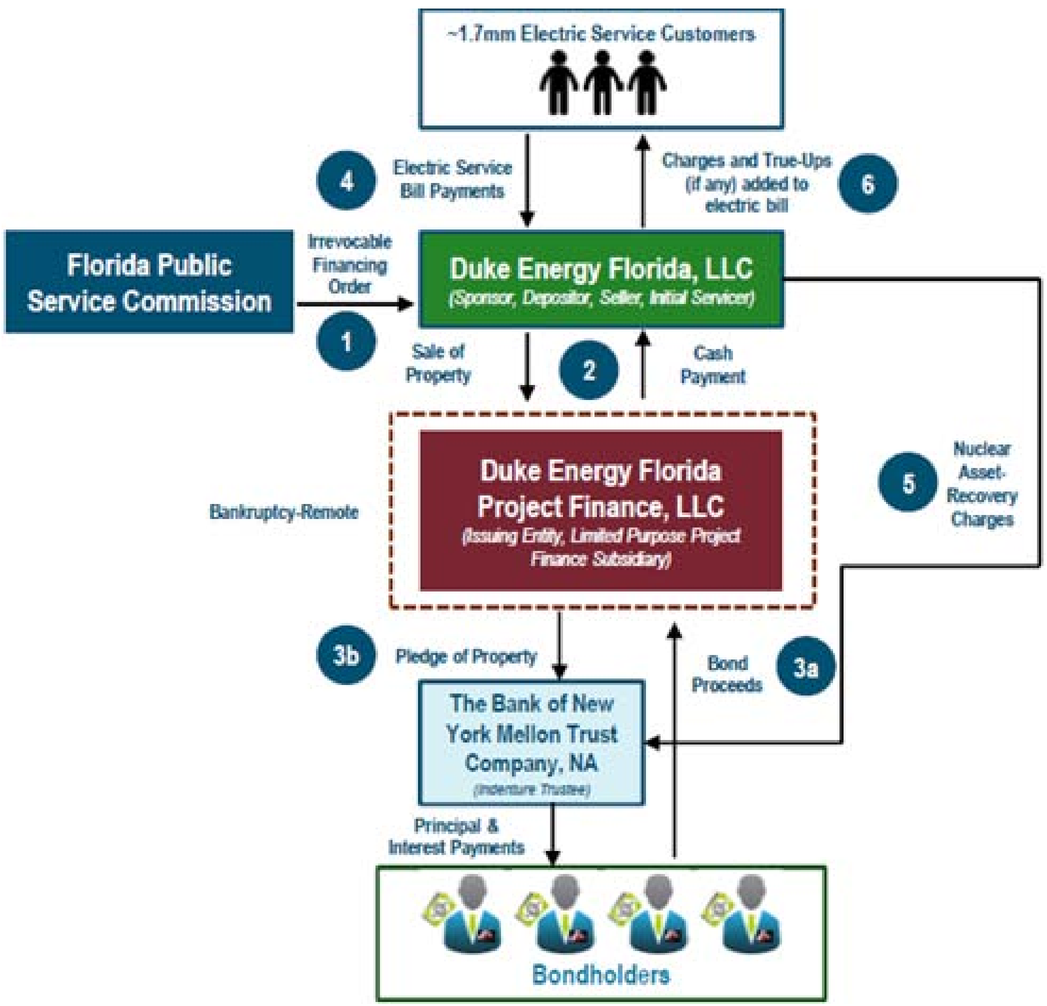
On the closing date, DEF will sell the nuclear asset-recovery property to the issuer pursuant to a sale agreement between the issuer and DEF. DEF will service the nuclear asset-recovery property pursuant to a servicing agreement between the issuer and DEF.

Securitization Structure Description

Structural Diagram

Exhibit 16 below illustrates the relationships between the transaction parties and bondholders.

Exhibit 16
Structural Diagram



Source: DEF

1. FPSC issues financing order, permitted under state statute, that creates nuclear asset-recovery property in the hands of DEF
2. Via a true sale, DEF transfers the nuclear asset-recovery property to the issuer in exchange for cash payment
3. (a) Nuclear asset-recovery bonds issued in exchange for cash payment from bondholders (b) Nuclear asset-recovery property is pledged to indenture trustee for benefit of the bondholders
4. Electric utility customers pay charge on electricity bills on joint and several basis
5. Payments from electric utility customers used to pay principal and interest on the bonds
6. At least semi-annually, and, as frequently as monthly (any time), charge on all electricity customers adjusted to whatever level necessary (i.e., not subject to cap) to ensure timely principal and interest payments on the bonds

Detailed Description of the Structure

Credit Enhancement

Credit enhancement for the bonds will be provided by the true-up mechanism, as well as by the capital subaccount. The primary purpose of the excess funds subaccount is not to provide credit enhancement for the bonds but to hold funds collected in amounts that were more than necessary to pay current debt service. However, amounts in the excess funds subaccount may be used to make debt service payments on the bonds when needed.

Capital Subaccount

On or before the date of issuance of the bonds, DEF will make a capital contribution to the issuer in an amount not less than 0.5% of the initial principal amount of the bonds, which will be deposited in the capital subaccount. Under the financing order, DEF will be entitled to a return on this capital contribution equal to the rate of interest on the latest maturing bond and payable according to the priority of payment set forth in the indenture and the series supplement.

Cash Commingling

The servicer is entitled to commingle the nuclear asset-recovery charges that it receives with its own funds until the funds are remitted to the indenture trustee on a daily basis. The securitization law provides that the priority of a lien and security interest is not impaired by the commingling of funds arising from nuclear asset-recovery charges with other funds.

The servicer will remit nuclear asset-recovery charges based on estimated collections using a weighted average balance of days outstanding on DEF's retail bills. Nuclear asset-recovery charge collections remitted will represent the charges estimated to be received for any period based upon the average days outstanding and an estimated system-wide write-off percentage.

No less often than annually, the servicer and the indenture trustee will reconcile remittances of estimated nuclear asset-recovery charge collections with actual payments received. To the extent the remittances of estimated payments exceed the amounts that should have been remitted, the servicer will be entitled to withhold the excess amount from any subsequent remittance. To the extent the remittances of estimated payments are less than the amount that should have been remitted, the servicer will remit the amount of the shortfall to the indenture trustee within two business days.

Payment Priority

On each payment date, the indenture trustee will pay all amounts on deposit in the general subaccount of the collection account in the following order of priority:

1. payment of the indenture trustee's fees, expenses and outstanding indemnity amounts in an amount not to exceed annually $500,000 in the then current calendar year;
2. payment of the servicing fee plus any unpaid servicing fees from prior payment dates;
3. payment of the administration fee to the extent due on that payment date and of the fees of our independent manager plus any unpaid administration or management fees from prior payment dates;

4. payment of all of our other ordinary periodic operating expenses;
5. payment of the interest then due, including any past-due interest;
6. payment of the principal required to be paid on the final maturity date for each series or as a result of acceleration upon an event of default;
7. payment of the principal then scheduled to be paid in accordance with the expected sinking fund schedule, including any previously unpaid scheduled principal, paid pro rata among the bonds if there is a deficiency;
8. payment of any of our remaining unpaid operating expenses and any remaining amounts owed pursuant to the basic documents;
9. replenishment of any amounts drawn from the capital subaccount;
10. release to DEF of an amount equal to the rate of return on the amount contributed to the capital subaccount, including any portion of such rate of return for any prior payment date that has not yet been paid, so long as no event of default has occurred and is continuing; and
11. allocation of the remainder collected, if any, to the excess funds subaccount for future payments.

Events of Default

An event of default with respect to the bonds is defined in the indenture as any one of the following events:

1. a default for five business days in the payment when due of any interest on any bond;
2. a default in the payment of the then unpaid principal with respect to any series on the final maturity date for that series;
3. a default in the observance or performance of any covenants or agreements made by the issuer in the indenture or the series supplement (other than defaults described above) which continues for 30 days;
4. any representation or warranty made by the issuer having been incorrect in any material respect as of the time made, and such breach not having been cured within 30 days;
5. certain events of bankruptcy, insolvency, receivership or liquidation with respect to the issuer; or
6. a breach by the State of Florida or any of its agencies (including the FPSC), officers or employees that violates the pledge of the State of Florida.

Issuance of Additional Bonds

As authorized by the financing order, the issuer's organizational documents and the transaction documents give the issuer authority and flexibility to issue additional nuclear asset-recovery bonds in future transactions, with the approval of the FPSC. Each series of nuclear asset-recovery bonds that may be issued will be backed by separate nuclear asset-recovery property the issuer acquires for the separate purpose of repaying that series. Any new series of such securities may include terms and provisions that would be unique to that particular series of nuclear asset-recovery bonds. However, the issuer may not issue additional nuclear asset-recovery bonds unless the rating agency condition for the bonds has been satisfied.

Asset Transfer, True Sale and Bankruptcy Remoteness

The securitization law provides that an electric utility's transfer of nuclear asset-recovery property is a true sale and is not a pledge of or a secured transaction relating to the electric utility's right, title and interest in the nuclear asset-recovery property (other than for federal and state income and franchise tax purposes) and that legal and equitable title passes to the transferee, if the agreement governing that transfer expressly states that the transfer is a sale or other absolute transfer.

The issuer's limited liability company agreement requires that it have at least one independent manager, whose selection and replacement will be subject to ratification by the FPSC. The limited liability company agreement does not permit the issuer to engage in any activities not directly related to purchasing and owning the nuclear asset-recovery property and issuing one or more series of nuclear asset-recovery bonds. The list of permitted activities set forth in the limited liability company agreement may not be altered, amended or repealed without the affirmative vote of a majority of the managers, which vote must include the affirmative vote of the independent manager.

Sponsor and Seller

DEF is the sponsor of the transaction and the seller of the nuclear asset-recovery property. DEF, a Florida limited liability company, is a regulated public utility primarily engaged in the generation, transmission, distribution, and sale of electricity in portions of Florida. DEF is an indirect, wholly-owned subsidiary of Duke Energy Corporation, one of the largest regulated utility holding company in the US.

DEF is subject to the jurisdiction of the Florida Commission with respect to retail utility rates, accounting, utility services, certain facilities, certain asset transfers, certain corporate mergers and other matters. DEF is subject to the jurisdiction of the Federal Energy Regulatory Commission under the Federal Power Act with respect to acquisitions, operations and disposals of certain assets and facilities, services provided and rates charged, conduct among affiliates and other matters, and its nuclear power plant is also subject to the jurisdiction of the Nuclear Regulatory Commission.

Administrator

DEF will provide or arrange for the provision of administrative services to the issuer pursuant to an administration agreement, including services relating to the preparation of financial statements, required filings with the SEC, any tax returns the issuer might be required to file, qualifications to do business, and minutes of the issuer's managers' meetings. DEF, as administrator, will be entitled to receive an annual administration fee of $50,000 payable annually, in arrears. The administrator may not resign or be removed without satisfaction of the rating agency condition.

Securitization Structure Analysis

The Series A bonds are a relatively simple sequential structure without subordination and the capital subaccount provides sufficient funds to offset the typical variance in collections versus projections in order to meet the projected amortization schedule between the semi-annual true-ups.

Methodology and Monitoring

The principal methodology used in this rating was Moody's Approach to Rating Securities Backed by Utility Cost Recovery Charges published in June 2015. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

Other methodologies and factors that may have been considered in the process of rating this issue can also be found in the Rating Methodologies sub-directory on www.moodys.com.

In monitoring this transaction, we apply the key components of our methodology. More specifically, we analyze, whether bond balances are in line with the scheduled principal amortization, which indicates the extent to which payments have been in line with our original expectations.

We review the periodic information received and look at whether there has been a draw on the reserve accounts. This data point provides further clues as to the steadiness of the cash flows and accuracy of true-up adjustments.

In addition, we analyze the factors that determine the future strength of the transaction. For example, we monitor any legal or political developments that could indicate an increased risk of changes in the legislation that could impair future cash flows to the transactions. Such risk may materialize, for example, in case of continued high financial imbalances in the system that may lead the system deficit to be viewed as unsustainable over the long-term.

We also follow the economic health of the service region and the potential for changes in the size and composition of the ratepayer base. Furthermore, we monitor the rating of DEF (as an indicator of its financial condition) to track the risk, typically quite small, that a bankruptcy could lead to disruption in billing and collections and in the remittance of payments to the bondholders.

Thus changes in our expectations and other analytical components could have an impact on the rating of the securities and may result in a reassessment of the rating

REPORT NUMBER 1031259

MOODY'S INVESTORS SERVICE