Loss of Long-Term Power Sales Agreements:

Minimizing Adverse Impacts

July 24, 2017
Asset Manager & Short-Term Power Sales

Historical Power Sales

The Florida Power Market

Long-Term Power Sales

Results To-Date

The Future

Background – Lee County Solid Waste Division
Lee County WTE Facility
Lee WTE Plant Specs

- Nameplate Capacity is 59 MW with two generators rated 39MW and 20MW gross
- Plant self-consumes ~15% of gross electricity, and provides power to the MRF, C&D and rest of Buckingham complex
- After internal consumption, full load electrical output is ~44 MW available for sale
- 10% of Electrical revenues are shared with Covanta
Plant has seasonal characteristics due to winter population increase

Units that provide steam to the turbine generators require scheduled downtime ~2-3 times/year/unit

WTE units also have unscheduled downtime for repairs – can occur at any time

Overall boiler availability is ~92% on annual average basis

Each boiler’s steam output represents about 33% of electrical output
Lee WTE Electrical Output

Net Electrical Generation (MWhr)

Month

23,000
24,000
25,000
26,000
27,000
28,000
29,000
30,000
31,000
32,000
33,000
34,000
35,000

Oct
Nov
Dec
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep

FY15
FY16
FY17

12,059
Historical and Projected Electrical Revenues

Electrical Revenue by Category

- **2007**: $11,399,888
- **2008**: $14,444,825
- **2009**: $17,035,600
- **2010**: $17,297,385
- **2011**: $16,491,642
- **2012**: $15,603,283
- **2013**: $17,291,541
- **2014**: $20,974,591
- **2015**: $16,831,862
- **2016**: $13,511,055
- **2017 (Projected)**: $7,500,000

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Electrical Pricing
Received vs. Natural Gas (Henry Hub)
Average US Retail Electric Rates by State in 2016

U.S. Residential Average Price per kWh = 12.75 cents

Source:
Energy Information Administration’s Electric Power Monthly, Table 5.6.A, November 2016
http://www.eia.gov/electricity/monthly/epm_table_grapher.cfm?t=epmt_5_06_a
Electrical Generation Factoids

- Total electric generation capacity in Florida is about 60,000 MW.
- Lee County’s WTE capacity is approx. 60MW, or 0.1% of the total.
- Florida does not require that a certain portion of electricity be generated by renewable sources.
- The FERC does require that electricity generated from Qualified Facilities be purchased at wholesale “avoided cost rates.”
Florida Investor Owned Electric Utilities

Approximate Company Service Acres

Florida Municipal Electric Utilities
Approximate Utility Locations

Florida Energy Generation by Fuel Type

Energy Sources (GWH)

Typical Daily Load Profile – Florida
Summary Concepts for Electrical Production and Sale

- Lee will be selling into a base marketplace with a very low current floor price
- Opportunities for short-term sales at higher prices are driven by supply and demand - hourly
- The marketplace is subject to rapid changes in both supply and demand
- The available output for sale varies by operational considerations at the WTE Facility
Major Florida Transmission Lines
Optimize revenues from sale of electricity from the WTE Facility

Coordinate/purchase transmission services to wheel electricity to buyers

Coordinate with WTE Facility on 24/7 basis for available/projected output levels

Minimize risk and disruption to the Facility

Provide transparent and auditable transaction history
Types of Power Sales

- Long-term sales: contracted
- Short-term sales: as-available pricing
- Spot sales: can beat as-available pricing on an hourly basis (minus transmission)
- Firm and non-firm transmission
- Wheeling & Scheduling arrangements must be coordinated for all transactions (except FPL)
Asset Manager Functions

- Develop firm understanding of WTE facility capabilities and operational status
- Identify electricity sales opportunities
- Evaluate transmission paths to potential buyers
- Analyze electricity sales opportunities
  - Pricing, including wheeling costs
  - Transaction term, duration and schedule
  - Buyer creditworthiness & reputation
Asset Manager Functions

Continued

- Negotiation of transaction terms (price, delivery point, party responsible for transmission (interruptibility, costs, risks, etc.)
- Execution of transactions
- Monitoring & Management of transactions, including curtailments, outages, etc.
- Transaction settlements, including invoicing and payment collection
- Monthly reporting of activities including sales, revenues and margins
Daily Price Table ($/MWh)

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- **Daily Revenue**: $24,743 ($3,754) $20,989 $21,863 $27,739 ($3,754) $23,985

**Assume:**
- 40 MW Delivery Capacity
- 3.91 $/MWh Transmission, incl losses & ancillary svcs (to Duke)
- 5.87 $/MWh Transmission (to Market Oppty, adjusted for partial day)

Source: APEX Power Services, Inc.
Owner/Operator Responsibilities

- Provide 30 Day Look Ahead of Net Output to Asset Manager (Operator)
- Provide prompt notice of any changes to Net Output as they occur 24/7 (Operator)
- Reconcile monthly generation, imbalance, demand charges and revenues (Owner)
Short-Term Sales Recent Results

January 2017 MWH Sold

Energy Sales
- Sales to Duke AA: 10,973 (36%)
- Short Term Market Sales: 3,826 (12%)
- Long Term Market Sales: 16,065 (52%)
- Sales to FPL AA Sales: 0%

January 2017 MWH Revenue

Net Revenues
- Sales to Duke AA: 70,785.21 (9%)
- Short Term Market Sales: 281,547.15 (38%)
- Long Term Market Sales: 394,670.64 (53%)
- Sales to FPL AA Sales: 0%

Margins on Sales (relative to FPL)

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<tr>
<th>Sales to Duke AA</th>
<th>($)</th>
<th>95,019.48</th>
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Total Margins: 152,119.43
Short-Term Sales Recent Results

April 2017 MWH Sold

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<th>Short Term Market Sales</th>
<th>Long Term Market Sales</th>
<th>Sales to FPL AA Sales</th>
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<td>6,307 (25%)</td>
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<td>13,040 (52%)</td>
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<td>2,709 (11%)</td>
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Margins on Sales (relative to FPL)

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<td>Long-Term Market Sales</td>
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<td>Total</td>
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April 2017 MWH Revenue

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<td>58,739.49 (9%)</td>
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<td>158,817.15 (24%)</td>
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<td>57,271.57 (8%)</td>
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<td>391,200.00 (59%)</td>
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Margins on Sales (relative to FPL)
The Future

- Natural Gas Futures Remain Flat – with wholesale electric rates following suite
  - Pursue Self Service Wheeling to County Facilities
  - Continue to Track and Pursue Long Term Sales Opportunities to Municipals and Other Wholesale Customers
  - Continue to Maximize Short Term Sales Opportunities

Source: APEX Power Services Corp
Questions?

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