

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for Determination)
of Cost Effective Generation Alternative) DOCKET NO. 140111-EI
to Meet Need Prior to 2018 for Duke) Submitted for filing: August 21, 2014
Energy Florida, Inc.)
_____)

DUKE ENERGY FLORIDA, INC.'S NOTICE OF FILING ERRATA

Duke Energy Florida, Inc. ("DEF") hereby gives notice of filing errata to the May 27, 2014 testimony and exhibits and August 5, 2014 exhibits of Mr. Benjamin M.H. Borsch and to the May 27, 2014 testimony of Julie Solomon as more specifically described below:

- As previously corrected in DEF's Response to NRG's First Set of Interrogatories #89, served on July 7, 2014, in the **May 27, 2014 Direct Testimony of Benjamin M. H. Borsch Page 45, Line 22**, "20-year study period" should be changed to "30-year study period." This was a typo only and had no effect on the analysis. See corrected testimony page attached.
- As referenced in Mr. Borsch's Deposition on August 11, 2014, in **Exhibit No. __ (BMHB-3) to Benjamin Borsch's May 27, 2014 Direct Testimony** the "Winter Firm Peak Demand 2014" number should be listed as "8870" versus "8170." This was a typo only and had no effect on the analysis. See corrected Exhibit No. __ (BMHB-3) attached.
- As previously corrected in DEF's Supplemental Response to NRG's First Document Request #8, served on July 11, 2014, in **Exhibit No. __ (BMHB-8) to Benjamin Borsch's May 27, 2014 Direct Testimony** there was an error in a formula which transferred model results to the spreadsheet used to create the exhibit. The error caused double counting of some costs for the PPAs which were also accounted for in the fuels totals. The error affected PPA1 and PPA3. This has been corrected and the corrected values were supplied to all parties in response to the NRG Document Request referenced above. The change did not have a material impact on the conclusions. See corrected Exhibit No. __ (BMHB-8) attached.
 - Corrections include:
 - In Column "PPA1" Row "Fuel" the number was corrected from 395 to 394.
 - In Column "PPA1" Row "PPAs" the number was corrected from (567) to (562).
 - In Column "PPA1" Row "Total" the number was corrected from (129) to (126).
 - In Column "PPA3" Row "Fuel" the number was corrected from 45

to 63.

- In Column “PPA3” Row “PPAs” the number was corrected from (184) to (175).
 - In Column “PPA3” Row “Total” the number was corrected from (155) to (128).
 - In Column “ACQ PPA MIX1” Row “Fuel” the number was corrected from (12) to (11).
 - In Column “ACQ PPA MIX1” Row “PPAs” the number was corrected from (65) to (62).
 - In Column “ACQ PPA MIX1” Row “Total” the number was corrected from (110) to (107).
 - In Column “ACQ PPA MIX2” Row “Fuel” the number was corrected from (260) to (258).
 - In Column “ACQ PPA MIX2” Row “PPAs” the number was corrected from (375) to (372).
 - In Column “ACQ PPA MIX2” Row “Total” the number was corrected from (118) to (117).
- In Exhibit No. __ (BMHB-10) to Benjamin Borsch’s May 27, 2014 Direct Testimony the cost of the 4th Chiller was incorrectly input. The value was \$10 million (CPVRR equivalent) less than it should have been. This reduces the cost effectiveness of 4 chillers vs. the 3 chiller base case by \$10 million, but it remains cost effective. All comparisons to the alternate bids was done on a 3 chiller basis, so this does not affect any of the differential outcomes to the alternative bids. See corrected Exhibit No. __ (BMHB-10) attached.
 - Corrections include:
 - In Column “Self Build plus Hines 1 Chillers” Row “Capital Costs” the number was corrected from (33) to (43).
 - In Column “Self Build plus Hines 1 Chillers” Row “Total” the number was corrected from 26 to 16.
 - In Exhibit No. __ (BMHB-11) to Benjamin Borsch’s May 27, 2014 Direct Testimony there was an error in the No CO2 price case. The CO2 price was left on for the first two generic CT units following the PPA expirations in the “PPA1” and “ACQ PPA MIX 1” cases. As a result, these cases were more costly because they included CO2 allowance costs for those units. These costs also affected the dispatch which resulted in a shift in other costs (Fuel, VOM, etc.). This error did not affect the rank order of the results or materially affect the conclusions. See corrected Exhibit No. __ (BMHB-11) attached. This update to Exhibit No. __ (BMHB-11) also incorporates the change in the capital cost of the 4th Hines Chiller discussed in reference to Exhibit No. __ (BMHB-10).
 - Corrections include:
 - In Table “High Gas” in Column “Self Build plus Hines 1 Chillers” Row “Capital Costs” the number was corrected from (33) to (43).
 - In Table “High Gas” in Column “Self Build plus Hines 1 Chillers” Row “Total” the number was corrected from 41 to 31.

- In Table “No CO2” in Column “AQCPA MIX1” Row “Fuel” the number was corrected from 23 to 28.
 - In Table “No CO2” in Column “AQCPA MIX1” Row “Emissions” the number was corrected from (13) to 1.
 - In Table “No CO2” in Column “AQCPA MIX1” Row “Variable Costs” the number was corrected from (9) to (7).
 - In Table “No CO2” in Column “AQCPA MIX1” Row “PPAs” the number was corrected from (117) to (116).
 - In Table “No CO2” in Column “AQCPA MIX1” Row “Total” the number was corrected from (170) to (149).
 - In Table “No CO2” in Column “PPA1” Row “Fuel” the number was corrected from 205 to 210.
 - In Table “No CO2” in Column “PPA1” Row “Emissions” the number was corrected from (12) to 3.
 - In Table “No CO2” in Column “PPA1” Row “Variable Costs” the number was corrected from 3 to 5.
 - In Table “No CO2” in Column “PPA1” Row “PPAs” the number was corrected from (311) to (309).
 - In Table “No CO2” in Column “PPA1” Row “Total” the number was corrected from (161) to (137).
 - In Table “No CO2”, in Column “Self Build plus Hines 1 Chillers” Row “Capital Costs” the number was corrected from (33) to (43).
 - In Table “No CO2”, in Column “Self Build plus Hines 1 Chillers” Row “Total” the number was corrected from 14 to 4.
- As referenced in Mr. Borsch’s Deposition on August 11, 2014, the label in the top right corner for **Exhibit No. __ (BMBHB-15) to Benjamin Borsch’s August 5, 2014 Rebuttal Testimony** contained typos and should be labeled as “Exhibit No. __ (BMHB-15).”
 - As previously corrected in DEF’s Response to Staff’s First Set of Interrogatories #40a, served on July 15, 2014, in the **May 27, 2014 Direct Testimony of Julie Solomon Page 9, Line 14** the words “these” and “or” should have been deleted. See corrected testimony page attached.

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY a true and correct copy of the foregoing has been furnished to counsel and parties of record as indicated below via electronic mail this 21st day of August, 2014.

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1 by increasing the total supply of generation in the market. This means the
2 Company must build additional transmission facilities to expand the transmission
3 import capability. The Company cannot rely on currently planned transmission
4 system facility upgrades for this mitigation. The additional transmission must be
5 net new facilities to the DEF system.

6 Increasing the transmission import capability by building net new
7 transmission facilities is not a reasonable mitigation measure to eliminate the
8 screen failures for these potential generation facility acquisitions. As explained
9 by Julie Solomon in her direct testimony, a range of 600 MW to 800 MW of
10 additional transmission import capacity must be added to DEF's system to
11 mitigate the FERC screen failures for the lowest cost potential generation facility
12 acquisition, and a minimum of 1,000 MW of additional transmission import
13 capacity must be added to DEF's system for the other generation facility
14 acquisition to mitigate its FERC screen failures. Based on our experience with
15 our transmission system and the costs to add transmission facility upgrades, the
16 transmission system facility upgrades -- and the cost of the upgrades -- to provide
17 an additional 600 MW to 800 MW of transmission import capacity would be
18 substantial, in the realm of hundreds of millions of dollars, and, therefore, easily
19 far in excess of any benefits that the potential generation facility acquisitions
20 provide DEF's customers.

21 The best generation facility acquisition proposal was only marginally
22 more cost-effective on a CPVRR basis over the ~~20-year~~ 30 year study period than
23 the Company's self-build base generation plan. This marginal benefit does not

DEF's Near Term Summer And Winter Load Forecast

Year	LOAD FORECAST		
	Peak Demand (MW)		Energy Requirements (GWH)
	Winter	Summer	
2014	8,870	8,812	39,801
2015	9,133	9,042	40,490
2016	9,370	9,149	41,098
2017	9,298	9,307	41,375

**INITIAL DETAILED ECONOMIC ANALYSIS RESULTS FOR THE MOST COST-EFFECTIVE GENERATION OPTION
TO MEET THE COMPANY'S CAPACITY NEEDS IN THE SUMMERS OF 2016 AND 2017**

Cumulative PV Revenue Requirements Comparison Acquisition Options vs Self Build									
\$M 2013	PPA1	PPA2	PPA3	ACQ2	ACQ1	ACQ PPA MIX1	ACQ PPA MIX2	ACQ3	ACQ4
Capital Costs	37	90	90	(49)	204	101	101	23	(35)
Fuel	394	141	63	(50)	16	(11)	258	7	(3)
Emissions	19	23	19	(71)	(47)	(3)	15	13	1
Variable Costs	19	(4)	(9)	113	34	(4)	10	(0)	1
Fixed Costs	(36)	(122)	(122)	(148)	(162)	(129)	(129)	(310)	(351)
PPAs	(562)	(270)	(175)	44	10	(62)	(372)	9	2
Cogens	(1)	5	6	(36)	(9)	0	(2)	0	1
Emergency Energy	4	2	0	4	2	2	2	3	(2)
Total	(126)	(136)	(128)	(193)	49	(107)	(117)	(255)	(386)

DETAILED ECONOMIC ANALYSIS RESULTS FOR THE MOST COST-EFFECTIVE GENERATION OPTION TO MEET THE COMPANY'S CAPACITY NEEDS IN THE SUMMERS OF 2016 AND 2017

Cumulative PV Revenue Requirements Comparison Acquisition/PPA Options vs Self Build				
\$M 2014	Acquisition - PPA Mix 1	PPA 1	Self Build No Hines Chillers	Self Build plus Hines 1 Chillers
Capital Costs	88	83	52	(43)
Fuel	50	227	(36)	68
Emissions	16	29	(24)	19
Variable Costs	(9)	2	13	(2)
Fixed Costs	(141)	(129)	(7)	5
PPAs	(143)	(332)	(27)	(29)
Cogens	1	3	(0)	(2)
Emergency Energy	(1)	(1)	3	1
Total	(139)	(118)	(26)	16

**COMPANY'S ANALYSIS OF GAS PRICE AND CO2 COST SENSITIVITIES TO THE
FINAL DETAILED ECONOMIC ANALYSES**

High Gas			
Cumulative PV Revenue Requirements Comparison Acquisition Options vs Self			
\$M 2014	ACQ PPA MIX1	PPA1	Self Build plus Hines 1 Chillers
Capital Costs	88	83	(43)
Fuel	35	267	53
Emissions	15	29	21
Variable Costs	(10)	2	(4)
Fixed Costs	(141)	(129)	5
PPAs	(123)	(364)	(1)
Cogens	1	3	(1)
Emergency Energy	(1)	(1)	1
Total	(138)	(110)	31

No CO2			
Cumulative PV Revenue Requirements Comparison Acquisition Options vs Self			
\$M 2014	AQC PPA MIX1	PPA1	Self Build plus Hines 1 Chillers
Capital Costs	88	83	(43)
Fuel	28	210	46
Emissions	1	3	(1)
Variable Costs	(7)	5	(2)
Fixed Costs	(141)	(129)	5
PPAs	(116)	(309)	(2)
Cogens	(0)	1	(1)
Emergency Energy	(1)	(1)	1
Total	(149)	(137)	4

1 Passing the FERC Competitive Analysis Screen typically leads to a conclusion
2 that a transaction is unlikely to present competitive problems. If the Competitive
3 Analysis Screen is “failed”, i.e. the changes in market concentration exceed the allowed
4 level, the proposed merger or acquisition is deemed likely to have an adverse impact on
5 competition and FERC will look more closely at the transaction before making its final
6 determination. As FERC has stated: “When there is a screen failure, applicants must
7 provide evidence of relevant market conditions that indicate a lack of a competitive
8 problem or they should propose mitigation.” In re: Revised Filing Requirements under
9 Part 33 of the Commission’s Regulations, Order 642 FERC Stats. & Regs., ¶31,11, at
10 page 62 (2000).

11 Evidence of relevant market conditions that may indicate a lack of a competitive
12 problem include “demand and supply elasticity, ease of entry and market rules, as well as
13 technical conditions, such as the types of generation involved.” (Id.). No facts such as
14 ~~these~~ have been relied on by FERC in previous orders ~~or~~ have been identified in the
15 acquisitions at issue and, as a result, the FERC inquiry likely would be on any proposed
16 mitigation.

17
18 **Q. Why did FERC adopt the Competitive Analysis Screen?**

19 A. FERC adopted its merger filing requirements, including the Competitive Analysis Screen,
20 to provide regulatory certainty to the industry in obtaining approval for mergers or
21 generation transactions. The Competitive Analysis Screen is intended to provide a
22 conservative standard to allow parties to identify mergers or generation facility
23 acquisitions that are unlikely to present competitive problems.