BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

|  |  |
| --- | --- |
| In re: Petition for limited proceeding for recovery of incremental storm restoration costs related to Hurricane Dorian and Tropical Storm Nestor, by Duke Energy Florida, LLC. | DOCKET NO. 20190222-EIORDER NO. PSC-2020-0058-PCO-EIISSUED: February 24, 2020 |

The following Commissioners participated in the disposition of this matter:

GARY F. CLARK, Chairman

ART GRAHAM

JULIE I. BROWN

DONALD J. POLMANN

ANDREW GILES FAY

ORDER APPROVING DUKE ENERGY FLORIDA, LLC’S REQUEST FOR AN INTERIM CHARGE TO RECOVER COSTS RELATED TO HURRICANE DORIAN AND TROPICAL STORM NESTOR

BY THE COMMISSION:

1. Background

On December 19, 2019, Duke Energy Florida, LLC (DEF or Company) filed a petition for a limited proceeding seeking authority to recover a total of $171.3 million for the incremental restoration costs related to Hurricane Dorian and Tropical Storm Nestor. This amount includes $2.1 million for interest and the regulatory assessment fee gross-up. In its petition, DEF requests approval of an interim storm restoration recovery charge to commence with the first billing cycle of March 2020.

 DEF filed its petition pursuant to the provisions of the Second Revised and Restated 2017 Settlement Agreement (2017 Settlement), which we approved by Order No. PSC-2017-0451-AS-EU.[[1]](#footnote-1) Pursuant to the 2017 Settlement, DEF can recover storm costs, without a cap on the level of charges on customer bills, on an interim basis beginning 60 days following the filing of a petition for recovery. DEF proposes to implement an interim charge for a 12-month period effective March 2020. The interim charge proposed by DEF results in an increase of $5.34 per 1,000 kilowatt hour (kWh) on a residential bill.

 Two parties have filed to intervene in this matter, White Springs Agricultural Chemicals, Inc. and the Office of Public Counsel.[[2]](#footnote-2)

 We have jurisdiction over this matter pursuant to Sections 366.04, 366.05, 366.06, and 366.076, Florida Statutes.

1. Decision
2. Authorization for DEF to implement an interim storm restoration recovery charge

As stated above, DEF filed a petition, pursuant to the provisions of the 2017 Settlement, for a limited proceeding seeking authority to recover a total of $171.3 million for the incremental restoration costs related to Hurricane Dorian and Tropical Storm Nestor. The $171.3 million includes $2.1 million for interest and regulatory assessment fee gross-up. Pursuant to Paragraph 38 of the 2017 Settlement, DEF may begin recovery of storm costs, without a cap, 60 days following the filing of a petition for recovery. DEF has requested an interim storm restoration recovery charge to implement for a 12-month period, effective the first billing cycle of March 2020 and continuing through February 2021.

 In its petition, DEF asserts that it incurred total retail recoverable costs of approximately $171.3 million as a result of Hurricane Dorian and Tropical Storm Nestor. DEF further asserts that this amount was calculated in accordance with the Incremental Cost and Capitalization Approach (ICCA) methodology prescribed in Rule 25-6.0143, Florida Administrative Code.

 The approval of an interim storm restoration recovery charge is preliminary in nature and is subject to refund pending further review once the total actual storm restoration costs are known. After we review the actual costs for prudence and reasonableness, and compare these costs to the actual amount recovered through the interim storm restoration recovery charge, we will make a determination as to whether any over or under recovery has occurred. As such, we will consider the disposition of any over or under recovery, and associated interest, at a later date.

 Based on a review of the information provided by DEF in its petition, we authorize DEF to implement an interim storm restoration recovery charge, subject to refund. Once the total actual storm costs are known, DEF shall file documentation of the storm costs for our review and the true-up of any excess or shortfall of monies collected pursuant to this charge. We emphasize that this authorization is only for interim recovery charges and is not a confirmation or endorsement of the prudence of DEF’s forecasted costs and plans. This Order merely approves DEF to begin recovery on an interim basis in accordance with the 2017 Settlement. This interim recovery is subject to refund following a hearing or formal proceeding where the veracity and prudence of DEF’s actual restoration costs can be fully vetted.

1. Approval of DEF’s proposed Hurricane Dorian and Tropical Storm Nestor interim storm cost recovery surcharges and associated tariffs

DEF is seeking approval of interim storm cost recovery surcharges associated with Hurricane Dorian and Tropical Storm Nestor as shown in proposed Tariff Sheet Nos. 6.105 through 6.107 (Attachment A to this Order). The surcharges will be applicable to all rate classes. Tariff Sheet No 6.105 shows the proposed interim storm cost recovery surcharges and Tariff Sheet Nos. 6.106 - 6.107 contain the definition of the storm cost recovery surcharge.

 DEF explains that it has allocated the storm cost recovery amount to the rate classes consistent with the rate design approved in the 2017 Settlement. The calculation is shown in Appendix A on page 6 of DEF’s petition. For residential customers, the surcharge is 0.534 cents per kilowatt-hour (kWh), which equates to $5.34 on a 1,000 kWh residential bill. The storm cost recovery surcharge will be included in the non-fuel energy charge on customer bills.

We approve DEF’s proposed Hurricane Dorian and Tropical Storm Nestor interim storm cost recovery surcharges and associated tariffs, effective with the first billing cycle of March 2020, subject to a final true-up.

1. Appropriate security to guarantee the amount collected subject to refund through the interim storm restoration recovery charge

DEF shall secure, by a corporate undertaking, all funds collected pursuant to this Order that are subject to refund. The criteria for a corporate undertaking include sufficient liquidity, ownership equity, profitability, and interest coverage to guarantee any potential refund. We have reviewed DEF’s financial statements to determine if the Company can support a corporate undertaking to guarantee the funds collected for recovery of incremental storm restoration costs related to Hurricane Dorian and Tropical Storm Nestor. We used DEF’s 2016, 2017, and 2018 financial statements to determine the financial condition of the Company. We find that DEF’s financial performance demonstrates adequate levels of ownership equity, profitability, and interest coverage, but marginal liquidity due to negative working capital. However, the Company participates in Duke Energy Corporation’s (DEF’s parent company) money pool and has access to additional funds if needed.

 DEF requested a 12-month collection period from March 2020 to February 2021 for interim storm cost recovery charges of $171.3 million related to Hurricane Dorian and Tropical Storm Nestor. By Order No. PSC-2019-0268-PCO-EI, we approved DEF’s request for interim storm cost recovery charges of $223.5 million for recovery of costs incurred due to Hurricane Michael to be collected during a 12-month period from July 2019 to June 2020.[[3]](#footnote-3) In that Order, we approved DEF’s Second Implementation Stipulation whereby DEF agreed to use the annual tax reform benefits resulting from the Tax Cuts and Jobs Act of 2017 as a direct offset to avoid implementing a separate cost recovery of storm damage costs. Those were costs that customers would have otherwise been obligated to pay.[[4]](#footnote-4) With the addition of the interim storm cost recovery charges for Hurricane Dorian and Tropical Storm Nestor in the instant docket, the cumulative interim amount subject to refund would be $394.8 million through February 2021. However, the interim amount held subject to refund for Hurricane Michael is being offset by income tax savings and not billed to the ratepayers.

 We find DEF has adequate resources to support a corporate undertaking in the amount requested. Based on this analysis, we find that a corporate undertaking of $171.3 million is acceptable. This brief financial analysis is only appropriate for deciding if the Company can support a corporate undertaking in the amount proposed and it does not represent a finding regarding other issues in this proceeding.

 Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Duke Energy Florida, LLC is authorized to implement an interim storm restoration recovery charge. Once the total actual storm costs are known, DEF shall file documentation of the storm costs for our review and true-up of any excess or shortfall of monies collected pursuant to this charge. It is further

ORDERED that DEF’s proposed Hurricane Dorian and Tropical Storm Nestor interim storm cost recovery surcharges and associated tariffs are approved, effective with the first billing cycle of March 2020, subject to a final true-up. It is further

ORDERED that a corporate undertaking is the appropriate security to guarantee the funds collected subject to refund. It is further

ORDERED that this docket shall remain open pending final reconciliation of actual recoverable Hurricane Dorian and Tropical Storm Nestor storm costs with the amount collected pursuant to the interim storm restoration recovery charge. We will consider the disposition of any over or under recovery, and associated interest, at a later date.

 By ORDER of the Florida Public Service Commission this 24th day of February, 2020.

|  |  |
| --- | --- |
|  | /s/ Adam J. Teitzman |
|  | ADAM J. TEITZMANCommission Clerk |

Florida Public Service Commission

2540 Shumard Oak Boulevard

Tallahassee, Florida 32399

(850) 413‑6770

www.floridapsc.com

Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

KMS

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

 The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

 Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

 Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: (1) reconsideration within 10 days pursuant to Rule 25-22.0376, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Office of Commission Clerk, in the form prescribed by Rule 25-22.0376, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.







1. Order No. PSC-2017-0451-AS-EU, issued November 20, 2017, in Docket No. 20170183-EI, In re: Application for limited proceeding to approve 2017 second revised and restated settlement agreement, including certain rate adjustments, by Duke Energy Florida, LLC*.* [↑](#footnote-ref-1)
2. Document Nos. 00028-2020 and 00099-2020. [↑](#footnote-ref-2)
3. Order No. PSC-2019-0268-PCO-EI, issued July 1, 2019, in Docket No. 20190110-EI, In re: Petition for limited proceeding for recovery of incremental storm restoration costs related to Hurricane Michael and approval of second implementation stipulation, by Duke Energy Florida, LLC*.* [↑](#footnote-ref-3)
4. Id*.* [↑](#footnote-ref-4)