

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for limited proceeding for recovery of incremental storm restoration costs related to Hurricanes Eta and Isaias, by Duke Energy Florida, LLC.

DOCKET NO. 20210097-EI
ORDER NO. PSC-2021-0271-PCO-EI
ISSUED: July 28, 2021

The following Commissioners participated in the disposition of this matter:

GARY F. CLARK, Chairman
ART GRAHAM
ANDREW GILES FAY
MIKE LA ROSA
GABRIELLA PASSIDOMO

ORDER APPROVING DUKE ENERGY FLORIDA, LLC'S REQUEST FOR

BY THE COMMISSION:

I. Background

On May 14, 2021, Duke Energy Florida, LLC (DEF or Company) filed a petition for a limited proceeding seeking authority to implement an interim storm restoration recovery charge to recover \$16.7 million for the incremental restoration costs related to Hurricanes Eta and Isaias. In its petition, DEF asserted that as a result of Hurricanes Eta and Isaias, it incurred total retail recoverable costs of approximately \$20.1 million. DEF has proposed to reduce this amount by \$3.4 million to offset the over-recovery of storm restoration costs collected through a Commission-approved storm recovery charge related to Hurricane Dorian and Tropical Storm Nestor.¹ As a result, the Company's proposed net recoverable cost is \$16.7 million. This amount includes approximately \$8,100 in interest.

DEF filed its petition pursuant to the provisions of the 2017 Second Revised and Restated Settlement Agreement (2017 Settlement), which we approved by Order No. PSC-2017-0451-AS-EU.² Pursuant to the 2017 Settlement, the Company 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 has proposed interim storm restoration charges applicable to all rate classes over a 12-month recovery period, effective with the first billing cycle of August 2021. For residential customers, the proposed interim storm recovery charge would be \$0.55 on a 1,000 kilowatt hour (kWh) on a residential customer bill.

¹ Order No. PSC-2020-0058-PCO-EI, issued February 24, 2020, in Docket No. 20190222-EI, *In re: Petition for limited proceeding for recovery of incremental storm restoration costs related to Hurricane Dorian and Tropical Storm Nestor*.

² 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*.

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

II. Decision

A. Authorization for DEF to implement an interim storm restoration recover charge

As stated above, DEF filed a petition for a limited proceeding seeking authority to implement an interim storm restoration recovery charge to recover \$16.7 million for the incremental restoration costs related to Hurricanes Eta and Isaias. The petition was filed pursuant to the provisions of the 2017 Settlement we approved by Order No. PSC-2017-0451-AS-EU. Pursuant to Paragraph 38 of the 2017 Settlement, DEF can begin recovery of storm costs, without a cap, 60 days following the filing of a petition for recovery. DEF has proposed an interim storm recovery charge of \$0.55 per 1,000 kWh on a residential customer bill over a 12-month recovery period effective the first billing cycle of August 2021.

In its petition, DEF asserts that it incurred total retail recoverable costs of approximately \$20.1 million as a result of Hurricanes Eta and Isaias. The Company 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 (F.A.C.). The net retail recoverable costs of \$16.7 million were determined by reducing the \$20.1 million total recoverable costs by the over-recovery of \$3.4 million from the storm recovery charge for Hurricane Dorian and Tropical storm Nestor.

Our 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 the actual costs are reviewed for prudence and reasonableness, and are compared to the actual amount recovered through the interim storm restoration recovery charge, a determination will be made whether any over/under recovery has occurred. The disposition of any over/under recovery, and associated interest, shall be considered by us at a later date.

Based on our review of the information provided by DEF in its petition, we hereby authorize the Company 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 true-up of any excess or shortfall. We emphasize that this authorization is only for interim recovery charges and is not a confirmation or endorsement of the prudence of the Company's forecasted costs and plans. This Order only allows 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.

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

DEF shall secure, by 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. DEF requested a 12-month collection period from August 2021 to July 2022 for interim storm cost recovery charges of \$16.718 million related to Hurricanes Eta and Isaias. We reviewed DEF's three most recent annual reports filed with this Commission (2019, 2018, and 2017) to determine if the Company can support a corporate undertaking to guarantee the funds collected for recovery of incremental storm restoration costs related to Hurricanes Eta and Isaias. DEF's financial performance demonstrates the Company has adequate levels of liquidity, ownership equity, profitability, and interest coverage to cover a potential refund. Moreover, the Company participates in Duke Energy Corporation's (DEF's parent company) money pool and has access to additional funds if needed.

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 \$16.718 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.

C. Approval of DEF's proposed interim storm restoration recovery charge tariff

In its petition, DEF proposed to begin applying the interim storm restoration recovery charge to customer bills effective with the first billing cycle of August 2021, and to include the charge in the non-fuel energy charge. The Company represented that it followed the methodology for allocation of storm costs among rate classes consistent with the rate design method approved in the 2017 Settlement. We reviewed DEF's calculations and find the allocation methodology to be appropriate and reasonable.

Application of the allocation methodology for the residential customer rate class results in a proposed interim storm recovery charge of 0.055 cents per kWh, which equates to \$0.55 on a 1,000 kWh residential electric bill. If approved, the Company will notice customers of the pending charge with the July billing cycle. The proposed interim charges for all rate classes are presented in Revised Sheet No. 6.105, which is included in Attachment A to this Order.

Based on our review of the information provided by DEF, we hereby approve the Company's proposed interim storm restoration recovery charge tariff as shown in Attachment A to this Order. The approved tariff shall become effective with the first billing cycle of August 2021.

Based on the foregoing, it is

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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 total storm costs for our review and true-up of any excess or shortfall. It is further

ORDERED that a Duke Energy Florida, LLC's proposed interim storm restoration recovery charge tariff as shown in Attachment A, is approved and shall be effective the first billing cycle of August, 2021. It is further

ORDERED that this docket shall remain open pending final reconciliation of actual recoverable storm costs with the amount collected pursuant to the interim storm restoration recovery charge, and the calculation of a refund or additional charge if warranted.

By ORDER of the Florida Public Service Commission this 28th day of July, 2021.



ADAM J. TEITZMAN
Commission 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.

BYL

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.



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Applicable:

To the Rate Per Month provision in each of the Company's filed rate schedules which reference the billing adjustments set forth below.

Rate Schedule/Metering Level	COST RECOVERY FACTORS						<u>SCRS⁽¹⁾</u>	
	ECCR ⁽²⁾	CCR ⁽³⁾		ECRC ⁽⁴⁾	ASC ⁽⁵⁾	SPPCRC ⁽⁶⁾		
	\$/ kWh	\$/ kW	\$/ kWh	\$/ kW	\$/ kWh	\$/ kWh	\$/ kWh	
RS-1, RST-1, RSL-1, RSL-2, RSS-1 (Sec.) < 1000 > 1000	0.338	-	1.405	-	0.099	0.245	0.031	<u>0.055</u>
GS-1, GST-1 Secondary Primary Transmission	0.326 0.323 0.319	- - -	1.342 1.329 1.315	- - -	0.098 0.097 0.096	0.234 0.232 0.229	0.026 0.026 0.025	<u>0.045</u> <u>0.045</u> <u>0.044</u>
GS-2 (Sec.)	0.223	-	0.808	-	0.095	0.143	0.013	<u>0.022</u>
GSD-1, GSDT-1, SS-1* Secondary Primary Transmission	- - -	1.08 1.07 1.06	- - -	4.20 4.16 4.12	0.096 0.095 0.094	0.184 0.182 0.180	0.019 0.019 0.019	<u>0.030</u> <u>0.030</u> <u>0.029</u>
CS-1, CST-1, CS-2, CST-2, CS-3, CST-3, SS-3* Secondary Primary Transmission	- - -	0.35 0.35 0.34	- - -	1.22 1.21 1.20	0.091 0.090 0.089	0.118 0.117 0.116	0.026 0.026 0.025	<u>0.051</u> <u>0.050</u> <u>0.050</u>
IS-1, IST-1, IS-2, IST-2, SS-2* Secondary Primary Transmission	- - -	0.94 0.93 0.92	- - -	3.50 3.47 3.43	0.093 0.092 0.091	0.148 0.147 0.145	0.013 0.013 0.013	<u>0.016</u> <u>0.016</u> <u>0.016</u>
LS-1 (Sec.)	0.098	-	0.172	-	0.091	0.029	0.017	<u>0.047</u>
*SS-1, SS-2, SS-3 Monthly Secondary Primary Transmission	-	0.104 0.103 0.102	- - -	0.404 0.400 0.396	- - -	- - -	- - -	- - -
Daily Secondary Primary Transmission	-	0.050 0.050 0.049	- - -	0.192 0.190 0.188	- - -	- - -	- - -	- - -
GSLM-1, GSLM-2	See appropriate General Service rate schedule							

Fuel Cost Recovery ⁽¹⁾			
Rate Schedule/Metering Level	Levelized	On-Peak	Off-Peak
	\$/ kWh	\$/ kWh	\$/ kWh
RS-1 Only < 1,000	2.811	N/A	N/A
RS-1 Only > 1,000	3.811	N/A	N/A
LS-1 Only Secondary	2.955	N/A	N/A
All Other Rate Schedules Secondary	3.094	3.871	2.744
All Other Rate Schedules Primary	3.053	3.832	2.717
All Other Rate Schedules Transmission	3.032	3.793	2.689

⁽¹⁾Fuel Cost Recovery Factor:

The Fuel Cost Recovery Factors applicable to the Fuel Charge under the Company's various rate schedules are normally determined annually by the Florida Public Service Commission for the billing months of January through December. These factors are designed to recover the costs of fuel and purchased power (other than capacity payments) incurred by the Company to provide electric service to its customers and are

ISSUED BY: Javier J. PortuondoThomas G. Foster, Vice President, Rates & Regulatory Strategy – FL

EFFECTIVE: March 1, 2021



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adjusted to reflect changes in these costs from one period to the next. Revisions to the Fuel-Cost Recovery Factors within the described period may be determined in the event of a significant change in costs.

(3) Energy Conservation Cost Recovery Factor:

The Energy Conservation Cost Recovery (ECCR) Factor applicable to the Energy Charge under the Company's various rate schedules is normally determined annually by the Florida Public Service Commission for twelve-month periods beginning with the billing month of January. This factor is designed to recover the costs incurred by the Company under its approved Energy Conservation Programs and is adjusted to reflect changes in these costs from one period to the next. For time-of-use demand rates the ECCR charge will be included in the base demand only.

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RATE SCHEDULE BA-1
BILLING ADJUSTMENTS
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(1) Fuel Cost Recovery Factor:

The Fuel Cost Recovery Factors applicable to the Fuel Charge under the Company's various rate schedules are normally determined annually by the Florida Public Service Commission for the billing months of January through December. These factors are designed to recover the costs of fuel and purchased power (other than capacity payments) incurred by the Company to provide electric service to its customers and are adjusted to reflect changes in these costs from one period to the next. Revisions to the Fuel Cost Recovery Factors within the described period may be determined in the event of a significant change in costs.

(2) Energy Conservation Cost Recovery Factor:

The Energy Conservation Cost Recovery (ECCR) Factor applicable to the Energy Charge under the Company's various rate schedules is normally determined annually by the Florida Public Service Commission for twelve-month periods beginning with the billing month of January. This factor is designed to recover the costs incurred by the Company under its approved Energy Conservation Programs and is adjusted to reflect changes in these costs from one period to the next. For time of use demand rates the ECCR charge will be included in the base demand only.

(3) Capacity Cost Recovery Factor:

The Capacity Cost Recovery (CCR) Factors applicable to the Energy Charge under the Company's various rate schedules are normally determined annually by the Florida Public Service Commission for the billing months of January through December. This factor is designed to recover the cost of capacity payments made by the Company for off-system capacity and is adjusted to reflect changes in these costs from one period to the next. For time of use demand rates the CCR charge will be included in the base demand only.

(4) Environmental Cost Recovery Clause Factor:

The Environmental Cost Recovery Clause (ECRC) Factors applicable to the Energy Charge under the Company's various rate schedules are normally determined annually by the Florida Public Service Commission for the billing months of January through December. This factor is designed to recover environmental compliance costs incurred by the Company and is adjusted to reflect changes in these costs from one period to the next.

(5) Asset Securitization Charge Factor:

The Asset Securitization Charge (ASC) Factors applicable to the Energy Charge under the Company's various rate schedules represent a Nuclear Asset-Recovery Charge approved in a financing order issued to the Company by the Florida Public Service Commission and are adjusted at least semi-annually to ensure timely payment of principal, interest and financing costs of nuclear asset-recovery bonds from the effective date of the ASC until the nuclear asset-recovery bonds have been paid in full or legally discharged and the financing costs have been fully recovered. As approved by the Commission, a Special Purpose Entity (SPE) has been created and is the owner of all rights to the Nuclear Asset-Recovery Charge. The Company shall act as the SPE's collection agent or servicer for the Nuclear Asset-Recovery Charge. The Nuclear Asset-Recovery Charge shall be paid by all existing or future customers receiving transmission or distribution service from the Company or its successors or assignees under Commission-approved rate schedules or under special contracts, even if the customer elects to purchase electricity from alternative electric suppliers following a fundamental change in regulation of public utilities in this state.

(6) Storm Protection Plan Cost Recovery Clause Factor:

The Storm Protection Plan Cost Recovery Clause (SPPCRC) Factors applicable to the Energy Charge under the Company's various rate schedules are normally determined annually by the Florida Public Service Commission for the billing months of January through December. This factor is designed to recover storm protection plan costs incurred by the Company and is adjusted to reflect changes in these costs from one period to the next.

(7) Storm Cost Recovery Surcharge Factor:

In accordance with a Florida Public Service Commission ruling, the Storm Cost Recovery Surcharge (SCRS) factor is applicable to the Energy Charge under the Company's various rate schedules for the billing months of August 2021 through July 2022. This surcharge is designed to recover storm-related costs incurred by the Company related to Hurricanes Ida and Isaias in 2020.

Gross Receipts Tax Factor:

In accordance with Section 203.01(1)(a)1 of the Florida Statutes, a factor of 2.5641% is applicable to electric sales charges for collection of the state Gross Receipts Tax.

Right-of-Way Utilization Fee:

A Right-of-Way Utilization Fee is applied to the charges for electric service (exclusive of any Municipal, County, or State Sales Tax) provided to customers within the jurisdictional limits of each municipal or county governmental body or any unit of special-purpose government or other entity with authority requiring the payment of a franchise fee, tax, charge, or other imposition whether in money, service, or other things of value for utilization of rights-of-way for location of Company distribution or transmission facilities. The Right-of-Way Utilization Fee shall be determined in a negotiated agreement (i.e., franchise and other agreements) in a manner which reflects the Company's payments to a governmental body or other entity with authority plus the appropriate Gross Receipts Taxes and Regulatory Assessment Fees resulting from such additional revenue. The Right-of-Way Utilization Fee is added to the charges for electric service prior to the application of any appropriate taxes.

Municipal Tax:

A Municipal Tax is applied to the charge for electric service provided to customers within the jurisdictional limits of each municipal or other governmental body imposing a utility tax on such service. The Municipal Tax shall be determined in accordance with the governmental body's

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EFFECTIVE: January 1, 2021



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~~ability by ordinance, and the amount collected by the Company from the Municipal Tax shall be remitted to the governmental body in the manner required by law. No Municipal Tax shall apply to fuel charges in excess of \$1,000.00/1000.~~

Sales Tax:

~~A State Sales Tax is applied to the charge for electric service provided to all non-residential customers and equipment rental provided to all customers (unless a qualified sales tax exemption status is on record with the Company). This State Sales Tax shall be determined in accordance with the Florida Statute law. The amount collected by the Company shall be remitted to the State in the manner required by law. In those counties that have enacted a County Discretionary Sales Tax, such tax shall be applied and paid in a like manner. An additional tax factor is applied to the charge for electric service consistent with the applicability of State Sales Tax as described in this paragraph, in accordance with Section 203.01(1)(a)3 and (b)4 of the Florida Statutes.~~

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ISSUED BY: Javier J. PortuondoThomas G. Foster, Managing Director/Vice President, Rates & Regulatory Strategy – FL
EFFECTIVE: January 1, 2021



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RATE SCHEDULE BA-1
BILLING ADJUSTMENTS
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Municipal Tax:

A Municipal Tax is applied to the charge for electric service provided to customers within the jurisdictional limits of each municipal or other governmental body imposing a utility tax on such service. The Municipal Tax shall be determined in accordance with the governmental body's utility tax ordinance, and the amount collected by the Company from the Municipal Tax shall be remitted to the governmental body in the manner required by law. No Municipal Tax shall apply to fuel charges in excess of 0.69¢/kWh.

Sales Tax:

A State Sales Tax is applied to the charge for electric service provided to all non-residential customers and equipment rental provided to all customers (unless a qualified sales tax exemption status is on record with the Company). The State Sales Tax shall be determined in accordance with the State's sales tax laws. The amount collected by the Company shall be remitted to the State in the manner required by law. In those counties that have enacted a County Discretionary Sales Surtax, such tax shall be applied and paid in a like manner. An additional tax factor is applied to the charge for electric service consistent with the applicability of State Sales Tax as described in this paragraph, in accordance with Section 203.01(1)(a)3 and (b)4 of the Florida Statutes.

Governmental Undergrounding Fee:

Applicable to customers located in a designated Underground Assessment Area within a local government (a municipality or a county) that requires the Company to collect a Governmental Undergrounding Fee from such customers to recover the local government's costs of converting overhead electric distribution facilities to underground facilities. The Governmental Undergrounding Fee billed to a customer's account shall not exceed the lesser of (i) 15 percent of a customer's total net electric service charges, or (ii) a maximum monthly amount of \$30 for residential customers and \$50 for each 5,000 kilowatt-hour increment of consumption for commercial/industrial customers, unless the Commission approves a higher percentage or maximum monthly amount. The maximum monthly amount shall apply to each line of billing in the case of a customer receiving a single bill for multiple service points, and to each occupancy unit in the case of a master metered customer. The Governmental Undergrounding Fee shall be calculated on the customer's charges for electric service before the addition of any applicable taxes.

ISSUED BY: Javier J. PortuondoThomas G. Foster, Managing Director/Vice President, Rates & Regulatory Strategy – FL
EFFECTIVE: March 1, 2020