DUKE ENERGY®
FLORIDA

Stephanie A. Cuello
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February 3, 2023

VIA ELECTRONIC FILING

Adam J. Teitzman, Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: *Fuel and Purchased Power Clause with Generating Performance Incentive Factor*; Docket No. 20230001-EI

Dear Mr. Teitzman:

Please find attached for electronic filing Duke Energy Florida, LLC's Response to Staff's First Data Request.

Thank you for your assistance in this matter and if you have any questions, please feel free to contact me at (850) 521-1425.

Sincerely,

/s/ Stephanie A. Cuello

Stephanie A. Cuello

SAC/vr
Attachment

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▪ Email: stephanie.cuello@duke-energy.com

CERTIFICATE OF SERVICE

Docket No. 20230001-EI

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished via electronic mail to the following this 3rd day of February, 2023.

/s/ Stephanie A. Cuello
Stephanie A. Cuello

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DUKE ENERGY FLORIDA, LLC'S, RESPONSE TO STAFF'S FIRST DATA REQUEST REGARDING FUEL AND PURCHASED POWER CLAUSE WITH GENERATING PERFORMANCE INCENTIVE FACTOR

Docket No. 20230001-EI

1. Please refer to Duke Energy Florida (DEF or Company) "Petition for Mid-Course Correction of its Fuel Cost Recovery Factors and Capacity Cost Recovery Factors" (MCC Petition), dated January 23, 2023, filed in Docket No. 20230001-EI.[1]

   a. Please discuss DEF's understanding of the factors which drove the volatility in natural gas prices in 2022.

   RESPONSE:
   It's DEF's understanding that the volatility in natural gas prices during 2022 was due to the main fundamental supply and demand drivers in the natural gas market. The drivers consisted of natural gas production, US natural gas storage levels, US realized and forecasted weather, and Liquefied Natural Gas (LNG) exports. During the first half of 2022, natural gas prices increased due to stagnate natural gas production, the US storage deficit was widening, supportive US weather forecast, coal market uncertainty with the potential of railway strike, the invasion of Ukraine, and strong LNG exports in response to European and Asian demand. On June 8, 2022, the Freeport LNG facility experienced an outage which added to the uncertainty in LNG export demand. Normally, Freeport LNG exports about ~2 billion cubic feet of liquefied natural gas per day, approximately 15% of the nation's LNG exports. During the second half of 2022, natural gas prices started to soften due to growing natural gas production, the US storage deficit narrowing, Freeport LNG outage extension, and above normal and forecast weather was realized in the later part of 2022. Natural gas prices, supply and demand drivers are constantly changing and as a result by definition contain volatility.

   b. Please refer to paragraphs 10-14. Is the effect of Commission Order No. PSC-2022-0425-TRF-EI the only driver leading to changes in the Company's capacity costs?[2] If not, please detail any other change(s).

   RESPONSE:
   Yes, the only change to DEF's capacity cost is the estimated impact of the 2022 reduction in the Production Tax Credit. There are no other changes to the Capacity filing.

[1]Document No. 00417-2023.
[2]Order No. PSC-2022-0425-TRF-EI, issued December 14, 2022, in Docket No. 20220172-EI, *In re: Petition for limited proceeding to approve rate reductions associated with the Inflation Reduction Act of 2022, by Duke Energy Florida, LLC.*

2. Please identify the exact date when the 2023 fuel factors, authorized by Order No. PSC- 2023-0026-FOF-EI, began being charged to customers.[3]

RESPONSE:
The first billing cycle of 2023 started January 3, 2023

3. Please specify the exact ranges/beginning and ending dates of DEF's March, April, and May 2023 billing cycles.

RESPONSE:

	Start	End
March	03/02/23	03/30/23
April	04/01/23	04/28/23
May	05/01/23	05/30/23

4. Please describe the Company's anticipated process and timeline for notifying its customers of the proposed action it has requested through its MCC Petition. Please also provide copies of any notifications that were previously, or will be, provided to customers regarding the actions requested in the MCC Petition.

RESPONSE:

DEF will notify customers of the proposed factor changes in a March 2023 bill insert. While the documents have not been finalized yet for the proposed mid-course correction, here is a link to the prior mid-course correction residential notification. A similar notification will be provided to non-residential customers. The notifications will be very similar and will include the revised factor amounts for the currently requested mid-course correction. The bill inserts are posted on the company's website: https://www.duke-energy.com/Home/Billing/Bill-Inserts

A separate message from DEF's president will be included as an insert. This same message will also be emailed to those customers who have shared their email information. An additional email communication will be sent to large account customers. A press release was also distributed to media with several media outlets across the state sharing the information, and the release was also posted on Twitter.

[3]Order No. PSC-2023-0026-FOF-EI, issued January 6, 2023, in Docket No. 20230001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor*.

5. Please provide the fuel price (commodity only) forecast underlying the fuel cost recovery rates approved in the Company's 2022 midcourse correction proceeding.

RESPONSE:
The NYMEX Henry Hub forecasted commodity only prices underlying the fuel cost recovery factor rates approved in DEF's 2022 midcourse (Order No. PSC-2022-0061-PCO-EI) are as follows:

2022	NYMEX Henry Hub Forecasted Commodity Only Prices ($/MMBtu)
Jan	$3.79
Feb	$3.76
Mar	$3.67
Apr	$3.62
May	$3.64
Jun	$3.69
Jul	$3.74
Aug	$3.76
Sep	$3.75
Oct	$3.78
Nov	$3.88
Dec	$4.06

6. Please discuss whether the Company plans on instituting any different processes, procedures, and/or measures related to fuel cost and fuel revenue forecasting as a result of requiring a mid-course correction of its fuel-related charges. If so, please explain.

RESPONSE:

DEF does not plan to institute any different processes related to fuel cost/revenue forecasting as a result of this mid-course correction. DEF will continue to use the most up-to-date information that is available at the time to produce its fuel cost forecasts.

7. Is it possible for the Company to recover its deferred 2022 fuel cost over different time periods for individual rate classes/groups? If so, please explain how both the cost apportionment and recovery (i.e., through normal fuel charge, separate surcharge, etc.) would be achieved.

RESPONSE:
While DEF understands the Commission's desire to explore alternative methodologies for recovering the current fuel midcourse, DEF does not believe that it is feasible to recover the 2022 under-recovery over different periods for individual rates classes or customers. Assuming the Commission approves the fuel midcourse filing at the March 7, 2023 Agenda, DEF does not believe there is sufficient time to develop the schedules and calculations necessary to implement the different recovery periods. Additionally, there would be insufficient time to appropriately notify and properly inform customers, as well as the Company's customer-facing representatives, of this significant departure in normal fuel recovery and rate treatment.

Further, DEF does not agree that such a rate development process (different time periods for different rate classes) is appropriate and would recommend against it. DEF offers the following reasons, which is by no means an exhaustive list, for recommending against this approach.

- DEF believes that such an approach is inappropriate for addressing the current fuel under-recoveries and is a departure from traditional ratemaking in which all customer rates are developed over the same time period.
- Implementing such a process will introduce significant inefficiencies into the fuel rate development and filing process and will add significant and unnecessary complexity.
- Such an approach would result in additional expenses, which would be necessary to comply with this process and handle the additional complexities in record-keeping.
- Such a process incorrectly assumes that all customers within a particular rate class desire the same recovery period, an assumption that is unlikely to be true. Further, because it is likely that customers within the same rate class will prefer different recovery periods, changing the process in this way may suggest that each customer can select their own recovery period, which is wholly untenable

a. If the response to Data Request No. 7 is affirmative, please populate the below chart with rates and monthly bill impacts for the specified customer classes.

RESPONSE:

DEF's response to DR 7 was negative.

Rate Class Impact and Relative Recovery Period	9-Month Recovery	12-Month Recovery	21-Month Recovery	24-Month Recovery
Residential Dollars				
Residential Rate				
Typical Monthly Res. Bill Impact				
Small Commercial Dollars				
Small Commercial Rate				
Typical Monthly Small Comm. Bill Impact				
Large Commercial Dollars				
Large Commercial Rate				
Typical Monthly Large Comm. Bill Impact				

Industrial Dollars				
Industrial Rate				
Typical Monthly Ind. Bill Impact				
All Other Rate Classes Dollars				

8. Please refer to the MCC Petition, Schedule E1-B, pages 1-2. Please specify the source and exact monthly interest rates (and if available, the series title, i.e., 30-day commercial paper, Federal Funds Rate, etc.) used in the derivation of the true-up shown on this schedule.

   <u>RESPONSE</u>:
   DEF utilizes the monthly average of the 30-day commercial paper rate (source: Federal Reserve website) to derive the 2022 projected true-up shown on Exhibit A, Schedule E1-B, Pages 1 and 2, Line C7. The monthly interest averages are shown in the below table.

Monthly Average Interest Rates

Jan 22	Feb 22	Mar 22	Apr 22	May 22	Jun 22	Jul 22	Aug 22	Sep 22	Oct 22	Nov 22	Dec 22
0.009	0.016	0.030	0.042	0.068	0.120	0.173	0.199	0.233	0.274	0.308	0.349

9. Please refer to the MCC Petition, Schedule E1-B (Proj.), pages 1-2. If different than identified in Question No. 8, please specify the source and exact monthly interest rates (and if available, the series title, i.e., 30-day commercial paper, Federal Funds Rate, etc.) used in the derivation of the projected true-up shown on this schedule.

   <u>RESPONSE</u>:
   Consistent with DEF's normal interest expense projection calculations, the projected 2023 monthly interest rates are estimates based on the average 30-day commercial paper rate for the most recent actual period, which for the instant filing is December 2022 (see the response to #8 in DR-1 for the derivation). The projected 2023 monthly average interest rate utilized is 0.349%.

10. Please provide the monthly (April 2023-March 2024) sales figures corresponding to the value shown on Schedule E1-D (Proj.), line 2.

    <u>RESPONSE</u>:

Monthly sales below in MWhs.

Apr-23	2,895,758		Oct-23	3,600,986
May-23	3,173,801		Nov-23	3,024,836
Jun-23	3,601,289		Dec-23	2,822,996
Jul-23	3,869,189		Jan-24	2,916,106
Aug-23	4,016,162		Feb-24	2,859,442
Sep-23	3,937,202		Mar-24	2,770,947

11. Please refer to Schedule E-10. Please provide the 2023 bill impacts (fuel only) to typical (i.e., typical based on a conventional or average level of usage) industrial- and commercial-class (large and small) customers similarly to that performed for the residential class shown on this schedule.

RESPONSE:

Rate Code/Determinants/Description	Mar-2023	Apr-2023	$ Change	% Change
GS-1; Small Commercial; 1,500 kWh	$93.99	$124.22	$30.23	32.2%
GSD-1; Medium Commercial; 100 kW, 41.1% LF, 30,000 kWh	$1,879.80	$2,484.30	$604.50	32.2%
GSDT-1; Large Commercial; 600 kW, 50.2% LF, 12% on-peak, 19% super-off-peak, 220,000 kWh	$13,568.99	$17,932.38	$4,363.39	32.2%
IST-2; Large Industrial; 10,000 kW, 68.5% LF, 12% on-peak, 19% super-off-peak, 5,000,000 kWh	$308,386.14	$407,554.06	$99,167.92	32.2%