

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 20170183-EI
APPLICATION FOR LIMITED
PROCEEDING TO APPROVE 2017
SECOND REVISED AND RESTATED
SETTLEMENT AGREEMENT, INCLUDING
CERTAIN RATE ADJUSTMENTS, BY
DUKE ENERGY FLORIDA, LLC.

DOCKET NO. 20100437-EI
EXAMINATION OF THE OUTAGE AND
REPLACEMENT FUEL/POWER COSTS
ASSOCIATED WITH THE CR3 STEAM
GENERATOR REPLACEMENT PROJECT,
BY PROGRESS ENERGY FLORIDA,
INC.

DOCKET NO. 20150171-EI
PETITION FOR ISSUANCE OF
NUCLEAR ASSET-RECOVERY
FINANCING ORDER, BY DUKE
ENERGY FLORIDA, INC. D/B/A
DUKE ENERGY.

DOCKET NO. 20170001-EI
FUEL AND PURCHASED POWER COST
RECOVERY CLAUSE WITH
GENERATING PERFORMANCE
INCENTIVE FACTOR.

DOCKET NO. 20170002-EG
ENERGY CONSERVATION COST
RECOVERY CLAUSE.

DOCKET NO. 20170009-EI
NUCLEAR COST RECOVERY CLAUSE.

PROCEEDINGS: INFORMAL MEETING

1 DATE: Friday, September 15, 2017
2 TIME: Commenced at 9:03 a.m.
 Concluded at 10:30 a.m.
3
4 PLACE: Gerald L. Gunter Building
 Room 105
 2540 Shumard Oak Boulevard
5 Tallahassee, Florida
6 REPORTED BY: LINDA BOLES, CRR, RPR
 Official FPSC Reporter
7 (850) 413-6734
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1 APPEARANCES:

2 J.R. KELLY, Office of Public Counsel
CHARLES REHWINKEL, Office of Public Counsel
3 VIRGINIA PONDER, Office of Public Counsel
MARSHALL WILLIS, Office of Public Counsel
4 JON C. MOYLE, JR., FIPUG
ROBERT SCHEFFEL WRIGHT, FRF
5 JAMES W. BREW, ESQUIRE, White Springs Agricultural
Chemicals, Inc. d/b/a PCS Phosphate - White
6 Springs
DIANE TRIPLETT, Duke Energy
7 JAVIER PORTUONDO, Duke Energy
MATTHEW R. BERNIER, Duke Energy
8 BOBBY PICKELS, Duke Energy
MARCIA OLIVIER, Duke Energy
9 BEN BORSCH, Duke Energy
RUSSELL BADDERS, Gulf
10 MARK FUTRELL, FPSC
KEITH HETRICK, FPSC
11 KYESHA MAPP, FPSC
MARGO DUVAL, FPSC
12 ANDREW MAUREY, FPSC
BILL McNULTY, FPSC
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14 TRIPP COSTON, FPSC
NICHOLAS STRATIS, FPSC
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P R O C E E D I N G S

1
2 **MS. MAPP:** Good morning. This is Kyesha Mapp.
3 I have 9:03, so I guess we'll get started.

4 Good morning. We're here today for a
5 presentation on the 2017 Duke settlement agreement in
6 Docket No. 217 -- 20170183-EI. This meeting was noticed
7 by informal meeting -- notice for informal meeting on
8 Wednesday.

9 I'll begin introductions with those present in
10 the room, and then we can introduce those present over
11 the telephone. I would note that although this is an
12 informal meeting, we do have a court reporter present.
13 So I would ask that everyone, prior to speaking, please
14 identify yourself so the court reporter can accurately
15 transcribe this meeting.

16 And so I'll begin with those on my left.

17 **MR. FLETCHER:** Bart Fletcher, Commission
18 staff.

19 **MR. MOURING:** Curt Mouring, Commission staff.

20 **MR. WILLIS:** Marshall Willis, OPC.

21 **MR. REHWINKEL:** Charles Rehwinkel, Public
22 Counsel's office.

23 **MR. KELLY:** J.R. Kelly, OPC.

24 **MS. PONDER:** Virginia Ponder, OPC.

25 **MR. PICKELS:** Bobby Pickels, Duke Energy.

1 **MR. BERNIER:** Matt Bernier, Duke Energy.

2 **MR. MOYLE:** Jon Moyle, FIPUG.

3 **MR. HETRICK:** Keith Hetrick, General Counsel,
4 Florida Public Service Commission.

5 **MR. MAUREY:** Andrew Maurey, Commission staff.

6 **MS. DUVAL:** Margo Duval, Commission staff.

7 **MS. MAPP:** Okay. And for those on the phone,
8 I guess I'll begin, are any other individuals present
9 for Duke Energy?

10 **MS. TRIPLETT:** Yes. Good morning. This is
11 Dianne Triplett, and with me I have Javier Portuondo,
12 Marcia Olivier, and Ben Borsch.

13 **MS. MAPP:** Are there any other individuals
14 present for Office of Public Counsel?

15 (No response.)

16 Anyone else present from Florida Retail
17 Federation?

18 **MR. WRIGHT:** Good morning, Kyesha. Schef
19 Wright for Florida Retail Federation.

20 **MS. MAPP:** Anyone present for SACE?

21 (No response.)

22 **MS. MAPP:** Anyone present for PCS Phosphate?

23 **MR. BREW:** Yes. Jay Brew is on the line.

24 Good morning.

25 **MS. MAPP:** And could anyone else present

1 please identify yourself?

2 **MR. BADDERS:** Yes. Good morning. This is
3 Russell Badders.

4 **MR. HETRICK:** Representing?

5 **MR. MOYLE:** Gulf.

6 **MR. HETRICK:** Okay.

7 **MS. MAPP:** Okay. Hearing no one else, I'll
8 turn the meeting over to Andrew.

9 **MR. MAUREY:** Thank you.

10 **MS. MAPP:** Oh, I'm sorry. One moment before
11 we get -- please, everyone on the phone, mute your
12 phones. And for those present in the room, to better
13 hear you when you're speaking, please turn on your
14 microphones. You can just press the button.

15 **MR. REHWINKEL:** And don't put your phone on
16 hold.

17 **MR. MAUREY:** Thank you, everyone, for joining
18 us this morning. We're going to go through the
19 presentation that Duke has prepared that we'll deliver
20 here momentarily, and then give Florida's signatories an
21 opportunity to make any comments they wish. And then we
22 will go through a brief question and answer period where
23 staff will ask some questions, and we'll -- Duke or the
24 signatories can answer.

25 Along with what Kyesha mentioned, if anyone in

1 the audience wants to speak, they should come to the
2 table and speak from the table if you have questions.

3 With that, then I will turn it over to Duke.

4 **MS. TRIPLETT:** Thank you, Andrew. This is
5 Dianne Triplett. Can y'all hear me okay?

6 **MS. MAPP:** Yes.

7 **MS. TRIPLETT:** Excellent. So I've been told
8 that y'all have the slides. I need to say "next slide"
9 as I go through it. I was going to go through it
10 probably pretty quickly because we had circulated the
11 slides and hopefully folks have had a chance to look at
12 it. But if I am moving too quickly and anyone wants to
13 ask a question in the slides, that would be fine too.
14 Or, of course, you can wait until the Q&A session.

15 So I guess, let's go to Slide 2 on background.
16 I'm not going to spend a lot of time here on this one.
17 This is just sort of summarizing where we are with our
18 current settlement and the signatories to the
19 settlement.

20 The only notable thing there is that in
21 addition to all of the original signatories to the
22 current settlement, the Southern Alliance for Clean
23 Energy is also a signatory to this agreement. And the
24 agreement will be effective through the end of 2021 with
25 certain terms that are outlined in the agreement that

1 last beyond the end of 2021.

2 And the other important thing on this slide is
3 that the parties have requested that the implementation
4 of the tariff begin January 1, 2018.

5 So next slide. We're going to go through a
6 summary of the key provisions, and, of course, this is
7 the legal disclaimer that lawyers have to add to things
8 like this. This -- here we have summarized in the
9 presentation the terms, but, of course, the document is
10 lengthy and it contains the exact wording of the
11 agreement of the parties. So this is just intended
12 obviously as an overview.

13 Okay. Next slide. One of the major areas of
14 the settlement that has been resolved with the
15 settlement is the Levy Nuclear Plant. So there's
16 several provisions. Most importantly is that there will
17 be no further recovery of past, present, or future Levy
18 Nuclear Plant costs from customers. That includes the
19 company writing off the combined operating license cost
20 and writing off all of the remaining costs that are
21 currently pending before the Commission in the NCRC
22 docket.

23 And if there are any future litigation costs
24 as a result of the WEC appeal, those costs should also
25 be absorbed by the company and not sought to be

1 recovered from customers.

2 And finally, Duke will remove the Levy land
3 from rate base and earning surveillance reports by no
4 later than January 1st of 2019.

5 **MR. PORTUONDO:** This is Javier Portuondo on
6 behalf of Duke.

7 I just want to clarify that the Levy land
8 that's being removed does not include the transmission
9 land that was acquired associated with Levy. That, the
10 parties and the company agreed, has value to our retail
11 customers and that is to remain.

12 **MS. TRIPLETT:** Good clarification. Thanks.

13 Okay. This is Dianne Triplett again. So we
14 will go to Slide 5. This slide presents the primary
15 rate impact for the settlement. And the first one is a
16 multiyear base rate increase that -- it's incremental
17 annual increases to base rates of \$67 million for each
18 year from 2019 to 2021.

19 And I would note that in a future slide we
20 will talk about how if tax reform is passed, those base
21 rates -- the amount of that base rate increase could
22 change. But more on that later.

23 There's also a provision for Solar Base Rate
24 Adjustments, and the amount and the details of that are
25 determined by particular projects that are brought

1 before the Commission for approval. But those base rate
2 increases would be no earlier than January of 2019 and
3 no later than December of 2022. And there's another
4 slide on that, so we'll go into more detail on that.

5 The fuel adjustment clause, you'll recall that
6 we had asked for a -- or gone in for a midcourse
7 correction, and that decision was deferred to the fuel
8 docket -- I'm sorry -- to the fuel clause hearing. And
9 so the settlement provides that that amount would be
10 divided over a two-year period.

11 Again, we're removing the Levy charge from the
12 NCRC, the one that we had requested in the May filing.
13 And the Citrus GBRA, that is not a new provision. That
14 is a carryover provision from the existing 2013
15 settlement.

16 Okay. Next slide. This is the Solar Base
17 Rate Adjustment. It allows for up to 700 megawatts of
18 solar. And as you see there, it's basically what --
19 this is a max 350 by year-end 2019, 525 by year-end
20 2020. That's just showing a carryover so we can, we can
21 do a certain amount each year. And then if we don't use
22 up, quote, use up that amount in a particular year, it
23 rolls over to the, to the following year.

24 Our -- the weighted average cost in a
25 particular filing for the solar project cannot exceed a

1 1,650 per kilowatt AC cap. And there are particular
2 categories of costs that are captured basically -- you
3 know, it's very clear about what costs are subject to
4 that cap.

5 We are not -- the base rate increase is not
6 permitted before 2019, but those base rate increases
7 could extend into 2022 for certain projects if they are
8 filed in 2021 and not expected to come in service until
9 2022.

10 No material solar projects can be placed into
11 service during the settlement that are subject to the
12 Solar Base Rate Adjustment, and all of the projects that
13 qualify for cost recovery have to be in by the end of
14 2022 to get under the Solar Base Rate Adjustment.

15 And if the actual spend on the project is less
16 than what was projected in the initial base rate
17 increase, we have to make an adjustment to reduce the
18 base rate and include a credit for that difference in
19 CCR. And if the capex is higher than what was approved,
20 then at our discretion Duke can come in and ask for a
21 limited proceeding. And, and if that is approved, then
22 that additional money can go into effect, but that is
23 all again cap -- subject to the hard cap of the 1,650.

24 And if projects are greater than 75 megawatts
25 or greater, then they would be subject to the Power

1 Plant Siting Act and would have to receive approval via
2 that process. And if they are less than 75 megawatts,
3 they still need to receive approval but just through a
4 separate proceeding before the Commission, a non-PPSA
5 proceeding. Okay.

6 Oh, and let me also clarify that if we file,
7 it would be a docket. It would not be part of any
8 existing clause. So this would be -- we envision that
9 this might be the GBRA provisions that we have, for
10 example, for our Hines and Osprey acquisition. We --
11 that's how these would look. It would be a separate,
12 separate filing.

13 Okay. Next slide. This is summarizing the
14 electric vehicle service equipment provision. So this
15 is a five-year pilot, and it would authorize Duke Energy
16 to purchase, install, own, and support a minimum of 530
17 EVSE at customer locations. And let me just clarify
18 that that is -- that's not individual locations. It's a
19 number of ports. So you may have one location that has
20 eight ports or plug-ins for electric vehicles.

21 We can invest up to \$8 million plus operating
22 costs, i.e. the full revenue requirement, and that would
23 be deferred to a regulatory asset that would earn the
24 authorized AFUDC rate. And if they -- we will also keep
25 track of any revenue that is generated from customers

1 using the EVSE, and that would offset the amount of the
2 regulatory asset.

3 At the end of the pilot, we would file for a
4 request -- I'm sorry. At the -- within four years of
5 the effective date, so around December of 2021, we would
6 file a request. At that point it would either be based
7 on the data we've gathered, this is a good program and
8 here's why we think the pilot should become permanent,
9 or we have to explain why the data shows that a
10 permanent filing or a permanent program would not be
11 warranted. And then that would be before the Commission
12 for approval and consideration. And then no sooner than
13 January of 2022 Duke may begin recovering the amount of
14 the regulatory asset over four years in base rates.

15 And then the last piece on the EV is that
16 annually we will report to the Commission specific
17 information about the program. And you see there the
18 installation costs, technology growth, load growth data,
19 et cetera. So that would be an annual filing.

20 Also, the settlement allows for a battery
21 storage pilot, and this provides that Duke may implement
22 a 50-megawatt battery storage pilot in various
23 locations, and those are locations to be determined.
24 But the cost must be reasonable and on average cannot
25 exceed a 2,300 per kWac cap.

1 The Intervenor parties cannot contest the
2 prudence of the decision to make the investment, but
3 they may challenge the reasonableness of the actual
4 costs incurred, and then Duke Energy may request cost
5 recovery in its next general base rate case. So there's
6 no deferral of the costs or the rate increases during
7 the settlement, but it will be included in surveillance
8 reporting.

9 Okay. Next slide. This is on tax reform.
10 And let me just say that as a threshold matter, this is
11 capturing if Congress is ever able to actually pass tax
12 reform legislation. So that's when these provisions
13 would come into play.

14 And there are two potential avenues if tax
15 reform is passed. One is that our corporate -- our
16 effective tax rate would be decreased, and another
17 option could be that -- another outcome could be that
18 the taxes would increase.

19 So there are -- and then there are two -- I
20 call -- I think of them as two buckets of areas in the
21 settlement where tax reform, if it passes, could be
22 impacted. One is our overall just general pot of money
23 that we have now, just our general base rates that we
24 currently have, and then the other one is the ongoing
25 base rate increases that are allowed through, through

1 the settlement.

2 So the first bullet point here is talking --
3 is really focusing on what do you do with what we have
4 now, our, you know, our current pot of money? And so
5 the first thing we do is that once we get tax reform, we
6 have to quantify the impact. And so there's a process
7 in the settlement for how we quantify that. It's a
8 one-time calculation, and it occurs in the first year
9 that the tax reform is effective.

10 So if it is favorable to the company, then
11 it's basically -- it's a 40/60 split. So we can retain
12 up to 40 percent of those tax savings, and we can use
13 those tax savings to accelerate the depreciation of our
14 CR4 and 5 units. And that is up to \$50 million pretax
15 annually.

16 And then the remaining tax reform savings will
17 be flowed back to retail customers through a base rate
18 decrease within 120 days of the tax reform enactment.

19 If the -- and then, and then the next bullet
20 is just describing what happens, how they will be flowed
21 back to customers in the CCR clause. That's using the
22 uniform --

23 **MR. PORTUONDO:** This is Javier Portuondo.
24 Just to clarify, what's flowing back through CCR is the
25 value that's accruing to customers until the point in

1 time that we are able to adjust base rates downward. So
2 it's trying to capture that and flow it back to
3 customers. Once base rates are reduced, there's no need
4 to use the capacity clause any further.

5 **MS. TRIPLETT:** Excellent. Thank you.

6 This is Dianne Triplett again. If it is, if
7 it's an unfavorable impact from tax reform so that it
8 results in higher taxes, then Duke Energy would be
9 allowed to defer the retail revenue requirement impact
10 to a regulatory asset each year through the end of the
11 settlement term, through the end of 2021, and then that
12 would be addressed in a future rate case.

13 **MR. REHWINKEL:** Hey, Dianne, this is --

14 **MS. TRIPLETT:** In addition --

15 **MR. REHWINKEL:** Dianne?

16 **MS. TRIPLETT:** Yes.

17 **MR. REHWINKEL:** This is Charles Rehwinkel.
18 You alluded to it, and maybe you're about to get to
19 this, but when you went through the prospective base
20 rate changes, paragraph 12c says that any base rate
21 changes that haven't occurred at the time tax reform
22 occurs will be adjusted based on Exhibit 6. So that's
23 sort of new. And you just really discussed what I
24 consider the embedded revenues and, and deferred taxes.

25 **MS. TRIPLETT:** Yeah. This is Dianne. That

1 was -- that's basically, I think, the last bullet on
2 the, on the slide. That's right. That would be the
3 second piece of the puzzle in terms of recalculating the
4 tax or calculating the impact of tax reform. So you're
5 right. To the extent there are changes to taxes, then
6 that would change the amount of the, of the settlement
7 adjustment. So that's right.

8 **MR. PORTUONDO:** This is Javier Portuondo.
9 Clarifying that even further, so the last bullet point
10 on this Slide 8 captures what Charles is trying to, to
11 flush out, which is that to the extent that we have done
12 that one-time adjustment to lower base rates, from that
13 point forward if the settlement has provided for future
14 increases, all those future increases will be
15 implemented based on the new tax rate in effect at that
16 time.

17 So solar, any of the Solar Base Rate
18 Adjustments would be presented to the Commission using
19 the appropriate new tax rate. The multiyear 67 million
20 will be adjusted downward to reflect the lower tax rate.
21 So those are kind of the two. You have the first bullet
22 addressing the embedded and then the second bullet
23 addressing prospective increases provided by the
24 settlement.

25 **MS. TRIPLETT:** Okay. Excellent. This is

1 Dianne Triplett again.

2 Next slide, which I think is the last one.
3 This is, this is just summarizing some of the tariffs
4 that are attached to the settlement and that we would be
5 asking to go into effect again. The rate changes are
6 effective January 1, 2018. We also have some voluntary
7 tariffs, a fixed bill program that residential customers
8 can choose to, to fix the monthly bill amount for 12
9 months with no true-up. There's also an optional shared
10 solar tariff that residential, commercial, and
11 industrial customers could utilize. And, finally, we
12 would ask that the economic development and
13 redevelopment tariffs that were previously approved as
14 pilots be made permanent in this -- with the settlement.

15 So that's, that's all that we have, and we're
16 happy to answer any questions anyone may have.

17 **MR. MAUREY:** Thank you, Dianne. This is
18 Andrew again.

19 Before we go into staff's questions, I wanted
20 to turn to some of the signatories that are here. Did
21 Office of Public Counsel want to make any comments
22 initially?

23 **MR. REHWINKEL:** We concur in the presentation.
24 We think it fairly summarizes the big issues in the
25 agreement. But we're happy to answer any questions

1 about, about the agreement when it comes time.

2 **MR. MAUREY:** All right. FIPUG?

3 **MR. MOYLE:** I have two. I have two things I
4 just wanted to clarify based on Dianne's presentation.
5 You know, the agreement will govern rather than what
6 people said today necessarily, but I think we're, we're
7 all on the same page.

8 With respect to the, the solar cap and the
9 solar costs, you know, she said that there are items
10 identified in that paragraph that, that say, "Here's
11 what's in solar." But there's also language that says,
12 "The cap is not limited to those items." So the cap is
13 the cap is the cap with respect to solar whether
14 something is identified in the agreement or not
15 identified in the agreement. So I wanted to make, make
16 that point clear. And, Dianne, you're good with that;
17 right?

18 **MS. TRIPLETT:** Yes. This is Dianne. Yes.
19 Anything that is related to -- this is the language of
20 the settlement. Anything that is related to the solar
21 project that is presented for recovery under the Solar
22 Base Rate Adjustment, yes, that would be subject
23 (phonetic) to the cap.

24 **MR. MOYLE:** Right. And then the other point,
25 just for clarification, I don't think it's addressed in

1 the agreement, but with respect to the EV, you know,
2 there's going to be data that's gathered and then
3 they're going to make a subsequent filing with respect
4 to what to do with the EV. There's nothing in the
5 agreement that obligates parties to take a position in
6 that subsequent filing. So, you know, in three, four
7 years when they make the filing, it's a, it's a jump
8 ball with respect to good, bad, or indifferent for all
9 the parties. So I wanted to make sure that that point
10 was, was clear.

11 **MS. TRIPLETT:** Yes. This is Dianne Triplett.
12 And, yes, everyone will retain their right to, to
13 participate in that proceeding and say yea, nay, or be
14 silent.

15 **MR. PORTUONDO:** And I would -- this is Javier
16 Portuondo for Duke Energy. I would further clarify
17 that, that that is in respect to the continuation of
18 an EV deployment, and it is not related to the
19 recoverability of the current pilot program proposed in
20 the settlement.

21 **MR. MOYLE:** Right. That's right.

22 One just technical thing. I guess, given that
23 we've walked through the handout, because we have the
24 court reporter here, the handout will be affixed to the
25 transcript, I assume, so that people looking at this

1 cold record will be able to see the, the presentation
2 that was spoken to. So the --

3 **MR. MAUREY:** Well, the presentation is in the
4 docket file now, so it's available.

5 **MR. MOYLE:** Okay. I guess, and I don't know
6 if now is the right time to do this or not, but you had
7 asked for comments, general comments. And I would just,
8 on behalf of FIPUG, make a general comment that, that we
9 signed this agreement for a number of reasons, but one
10 is I think particularly significant and that we
11 appreciate Duke working on is, is that our members were
12 facing a 2018 that was a much steeper hill than what is
13 in this settlement agreement. The parties were able to
14 do some things that made 2018 much more manageable for,
15 for our respective clients, and I think that was a big
16 factor that I wanted to just make everyone aware of.

17 So I know this is an agreement that is, in
18 effect, a year early because the old agreement had
19 another year on it. But 2018 was not shaping up to be a
20 pretty picture with respect to rates, and through
21 negotiations we were able to soften what 2018 looked
22 like. And that was a big factor for some of us to, to
23 move forward and execute this agreement. So I wanted
24 to, wanted to just make that point clear. So thanks for
25 the chance to make a couple of comments.

1 **MR. MAUREY:** Sure. Thank you.

2 Schef, do you have any comments on behalf of
3 FRF?

4 **MR. WRIGHT:** Andrew -- thank you, Andrew.
5 This is Schef Wright. Only to say that I concur with
6 what all the others have said. We concur in the
7 presentation and we concur that it's a good settlement.
8 And like my friend Mr. Moyle said, it makes the next few
9 years better for all customers. Thanks.

10 **MR. MAUREY:** Thank you.

11 Jay, on behalf of PCS Phosphate?

12 **MR. BREW:** The same. I don't want to belabor
13 the same points. It's -- we spent several months going
14 through all of this, and I think that the agreement
15 reflects a whole lot of carefully considered tradeoffs
16 to get to something that we all consider balanced.

17 **MR. MAUREY:** Thank you.

18 Did anyone from SACE join the call?

19 (No response.)

20 All right. We're going to move into the
21 question and answer portion of this meeting. Many of
22 these questions are going to be followed up with data
23 requests. We're -- the purpose of this is to, to get
24 clarification. Staff is not a party to this settlement.
25 We weren't part of any of the negotiations. We're

1 really trying to gather information on how it will
2 operate once -- if it's approved, how it would operate
3 in the future. So that's -- when you -- that's where
4 we're coming from with the questions.

5 To make this orderly, I'd suggest we just go
6 through the paragraphs. There's going to be some
7 paragraphs where we don't have any questions, and we'll
8 try to go through there.

9 Yes.

10 **MR. REHWINKEL:** Andrew, this is Charles
11 Rehwinkel with Public Counsel.

12 Just -- and I really do appreciate the
13 Commission transcribing this. I think it will be
14 helpful for, for all. But I would ask if we could sort
15 of have a ground rule. I know we did this with Gulf
16 when we brought this agreement forward. You asked
17 question, answers were given, questions were followed up
18 with data requests. And we're going to do our best
19 today to answer your questions to the best of our
20 consensus ability, but I would appreciate that, that if
21 there were any refinements or clarifications that other
22 parties wanted to give, that we would be given an
23 opportunity to clarify the answers, if need be,
24 afterwards.

25 So our best -- we're going to give you our

1 best effort today because we know there's a short
2 timeframe here, so we want to get the ball rolling, but
3 we -- and we do appreciate that you'll follow up. But
4 we would like there to be an understanding that we may
5 need to refine and clarify answers that are given today.

6 **MR. MAUREY:** Thank you. That's very
7 reasonable. While this meeting was moved a week from
8 last Friday, the hearing did not. So we are moving
9 towards October 25th. And we appreciate Duke's
10 responsiveness in the first round of data requests.
11 We've already gotten responses back. And the second
12 round went out and there'll be at least another third
13 round following this meeting.

14 All right. This --

15 **MS. TRIPLETT:** Hey, Andrew?

16 **MR. MAUREY:** Yes.

17 **MS. TRIPLETT:** I'm sorry. This is Dianne. I
18 just want -- I sent -- and I'm sorry, I don't -- I did
19 not have the full service list, so we actually sent
20 yesterday to Margo the, the second -- response to the
21 second. And then I think Matt maybe sent it to Mark
22 Futrell. I don't know if it got around yet, but we did
23 try to get that out. And I apologize, but my paralegal
24 does not -- she just got power, so she's been in and out
25 of the office and I wasn't able to fully service.

1 **MR. MAUREY:** Well, thank you. We'll, we'll
2 have those. I did not have them yet, but I'll have them
3 today. Thank you.

4 **MR. HETRICK:** Andrew, before you begin, I have
5 just one general question before I forget just following
6 up on Jon Moyle's point on the jump ball with respect to
7 the recovery of EVS equipment. So it's my understanding
8 that recovery anticipated the current program over four
9 years beginning in January of 2022. Is that right?
10 That's not the current program. It's not with respect
11 to making the pilot program permanent. It's not a
12 recovery with respect to --

13 **MR. MOYLE:** That's right. So the four years,
14 you know, we can't go in and pick at the four years and
15 say, "No, this is a bad idea." We've agreed to a
16 four-year period. But then they're going to have to
17 make a decision about, "Okay, do we continue this or
18 not?" And where we have the jump ball is with respect
19 to the decision as to whether to continue it beyond the,
20 the settlement term.

21 **MR. HETRICK:** And so with respect to that jump
22 ball, the prudence determination of a permanent program
23 is a future determination by the Commission.

24 **MR. MOYLE:** That's right.

25 **MR. HETRICK:** And that's retained.

1 **MR. MOYLE:** That's right. That's my
2 understanding.

3 **MR. HETRICK:** Okay. Thank you.

4 **MR. MAUREY:** Unfortunately I don't have a
5 master list of all the questions that staff wants to
6 ask, so I'm just going to call out a paragraph, take a
7 moment or two. If no one speaks up, then we're just
8 going to go through these fairly, fairly quickly. I do
9 know that we have questions on certain paragraphs later.

10 Paragraph 1. Paragraph 2. Three. Paragraph
11 4. Paragraph 5. Paragraph 6. Seven. Paragraph 8.
12 Nine. I will mention that some of these have already
13 been covered -- are being covered by current data
14 requests that have already gone out.

15 Ten.

16 **MR. FLETCHER:** Excuse me. This Bart Fletcher.
17 I have a question on paragraph 10. If you look at that
18 related to the land, two parcels of land for the Levy
19 Nuclear Project, it lists the system amounts for those
20 land parcels. Can we have the jurisdiction amounts,
21 retail jurisdictional amounts? I'll follow that up with
22 a data request.

23 **MS. TRIPLETT:** Yes. This is Dianne with Duke.
24 Yes, we can provide that in the data request.

25 **MR. FLETCHER:** Thank you.

1 **MR. MAUREY:** All right. Paragraph 11.

2 **MR. FLETCHER:** One more from me. Paragraph
3 11, what's the current status of those case numbers
4 171087 and 171151?

5 **MS. TRIPLETT:** This is, this is Dianne with
6 Duke Energy. So the WEC appeal is -- I believe we
7 have -- we have submitted briefs and I think that we may
8 be waiting on responsive briefs from WEC. But I can get
9 all of the details and we can provide that in the
10 supplemental -- in a written data request as far as the
11 specific dates. I just don't have them here with me.
12 But I believe that it's still in briefing, and I do not
13 think we have an estimated -- an oral argument or an
14 estimate for the ultimate order being issued.

15 **MR. FLETCHER:** Thank you.

16 **MR. MAUREY:** Paragraph 12. Paragraph 13.

17 All right. Paragraph 14. We are going to
18 have a data request related to the adjusted equity ratio
19 calculation that's in here, but we'll follow that up in
20 a data request, precisely how that's calculated.

21 **MS. TRIPLETT:** This is Dianne with Duke
22 Energy. I'm sorry. People were flipping papers. Can
23 you repeat what you just said?

24 **MR. MAUREY:** Sorry. That may have been me.
25 We are going to have a data request specific

1 to the adjusted equity ratio calculation, just how it's
2 done and how it's going to be done going forward.

3 All right.

4 **MR. REHWINKEL:** Andrew, are you specifically
5 talking about paragraph d -- I mean, subparagraph d?

6 **MR. MAUREY:** Well, actually it was -- I had it
7 in my notes. It's related to using the S&P methodology
8 to adjust the equity ratio for off balance sheet
9 obligations. I will give you a specific paragraph and
10 letter in the data request.

11 **MR. REHWINKEL:** Okay.

12 **MR. MAUREY:** Anything else in 14?

13 Paragraph 15.

14 All right. Paragraph 16. I do want to pause
15 a moment and talk about the -- this paragraph or at
16 least a couple of its subparts.

17 There's Exhibit 6, which demonstrates how this
18 is -- the math is going to work. We want just
19 clarification from the signatories that they're all in
20 agreement on how this calculation is going to work,
21 granted that there are some unknowns right now. We
22 don't know how tax reform, if it occurs, what form it'll
23 take. But in --

24 **MR. PORTUONDO:** This is Javier Portuondo with
25 Duke Energy. I think -- well, I won't speak for the

1 other parties. We, we included this exhibit as an
2 illustrative of the approach that would be undertaken to
3 quantify the impact of tax reform. But as we all know,
4 we do not know what tax reform will actually include.
5 That's why it has been labeled as an illustrative.
6 There might be things that need to be included to
7 address specific changes in the law.

8 So it's not meant to be a document that is
9 written in stone that these are the only things that
10 will be considered. We'll consider everything. We'll
11 collaboratively work with the Intervenor group to, to
12 digest the relevant changes to the tax code and make the
13 appropriate adjustments to Exhibit 6 in collaboration
14 and concurrent with the signatories to the parties. But
15 I just wanted to make sure everybody understood that.

16 **MR. REHWINKEL:** Andrew, Charles Rehwinkel with
17 Public Counsel. And Marshall Willis is here too, and he
18 can speak to this if I'm speaking out of turn on it.

19 But I concur with what Javier said. We look
20 at this kind of as a template. There are variables in
21 here that we would certainly substitute the actual
22 numbers from the -- any, any change in the law as well
23 as anything that changed the deductibility of certain
24 expenses or -- you know, anything, anything that's
25 variable, we would plug it in here. But this is a

1 format and template that we think is a good guide for
2 how we would, how we would handle the mechanics of it.

3 **MR. MAUREY:** Thank you for that.

4 On 16b with respect to the treatment of
5 deferred taxes under a change, or under a tax reform
6 change, there was some discussion about how the
7 regulatory liability would flow back, and that's fairly
8 straightforward, five years or ten years based on an
9 amount. But later in that paragraph it talks about some
10 relevant factors related to credit downgrades that might
11 be triggered, and we'd like an explanation on how that
12 might, might work.

13 **MR. PORTUONDO:** This is Javier Portuondo with
14 Duke Energy again. The purpose of that provision is to
15 permit the utility to bring forward as it is to
16 illustrate that the flowback over the previously
17 identified shorter periods could create financial harm
18 to the utility. And the worst situations would be a
19 downgrade by the rating agencies, and, therefore,
20 propose an alternative flowback period that would
21 maintain the financial integrity of the utility. We
22 have the burden to present that to the Commission.

23 **MS. TRIPLETT:** And let me just add -- this is
24 Dianne Triplett with Duke Energy. Let me, let me just
25 also make sure that folks understand when this provision

1 would -- could be at issue.

2 You first have to have tax reform. Then it
3 has to be silent as to the flowback period for any
4 return of excess deferred taxes. And there also has to
5 be no other applicable statute or rule that would
6 dictate the flowback period.

7 Then you have the demonstration of the amount
8 and the financial harm to the company, and we foresee
9 that as a proceeding that we'd have to come in and we'd
10 have to be put through our paces as far as a
11 demonstration, and then all of the signatories and the
12 Commission would get to be involved in that as well.

13 So this is several layers deep, if you will.
14 But it is -- it was important to us to have that
15 protection in case -- it's almost like a worst-case
16 scenario presented itself.

17 **MR. REHWINKEL:** This is Charles Rehwinkel with
18 Public Counsel. And I concur with what's been said. I
19 would like to point out -- and I agree that the odds of
20 this provision being triggered are microscopic. That's
21 just kind of a political assessment that I don't think
22 there's going to be that complete vacuum that would
23 trigger this.

24 But there are three phrases here that when you
25 get to this, which I consider like a double safety net,

1 they have to show by clear and convincing evidence that
2 the flowback limitation, coupled with other provisions
3 related to taxes in the agreement, will be the sole
4 basis for that full notch downgrade, and it has to be by
5 all of the agencies that rate them. And right now I
6 understand there are these two. Fitch is -- Fitch does
7 not, according to them. So the -- this is purely a
8 safety net that would be there for the company.
9 Otherwise, the, the other provisions up there would be
10 applicable.

11 **MR. MAUREY:** Thank you for that explanation.
12 And thank you, Dianne. We -- there are a lot of ifs in
13 that explanation, and so this does appear to be a very
14 remote possibility.

15 Our question really -- these rating agencies
16 aren't -- they don't generally signal what they're going
17 to do ahead of time, but we -- that -- we just had a
18 question on it. Thank you for that explanation.

19 Moving on to paragraph 17.

20 **MR. McNULTY:** This is Bill McNulty with staff.
21 I have a few questions on paragraph 17. Turning to 17a,
22 size and scope. It states that DEF is authorized to
23 purchase, install, own, and support EVSE at DEF customer
24 locations.

25 Just a point of clarification. Is the

1 structure of this pilot program going to be bifurcated
2 into situations such as DEF has -- is implied in 17c
3 where drivers make purchases directly from DEF, and then
4 others in which the customer themselves will operate
5 under 366.94 and be providing the service directly to
6 end use customers, which would be the drivers?

7 **MR. PORTUONDO:** Bill, that -- this is Javier
8 Portuondo. That last part I couldn't hear.

9 **MR. McNULTY:** Okay. Javier, my basic question
10 is it appears as though in some instances DEF will be
11 selling electricity directly to the customer, and in
12 other situations your customers will be selling to the
13 drivers. Is that a fair characterization of what is
14 anticipated with the pilot program?

15 **MR. PORTUONDO:** Yeah. So this is Javier
16 speaking. So, so to that, to that point, there's two
17 scenarios we're envisioning.

18 One scenario is where the charging facility is
19 actually installed behind an existing customer meter.
20 An example of that would be maybe an office building
21 where we install it behind the current owner of the
22 office building's facility. And there -- in that case,
23 the current customer of record for that meter is, in
24 essence, paying us the appropriate Commission-approved
25 tariff. So that's one example.

1 Another example would be a location where the
2 company would install -- maybe it's in the parking lot
3 of a large apartment complex. So the company may
4 outsource the billing and collection of that charging
5 station to an organization that's already got the
6 infrastructure for that so that an end use customer --
7 it could be -- you know, if it's a large complex, it
8 could be dozens of different people using the station.
9 And those individual customers would need to be billed
10 and collections would need to take place via their
11 credit cards or whatever. So we would outsource that
12 service.

13 And in those situations, as the statute
14 provides, those organizations are able to impose their
15 administrative costs for processing the, you know, the
16 credit cards and everything else.

17 So those are the two situations that we've
18 envisioned so far for metering and billing. Does that
19 help clarify?

20 **MR. McNULTY:** It does. And if you could
21 just -- just so that I further understand that, in both
22 cases, which is behind the customer meter and not behind
23 the customer meter, in both of those cases DEF would
24 purchase, install, own, and support the EVSE?

25 **MR. PORTUONDO:** Yes.

1 **MR. McNULTY:** Okay.

2 **MR. PORTUONDO:** These would be owned,
3 maintained, and operated by Duke Energy Florida.

4 **MR. McNULTY:** Okay. And in instances where it
5 would be behind the customer meter, does the company
6 propose to file a tariff saying what account they --
7 what FERC account they intend to use for purposes of
8 recording the expenditures?

9 **MR. PORTUONDO:** Did you say file a tariff or
10 an account? I missed that part.

11 **MR. McNULTY:** File approval for a specific
12 account for a depreciation rate. We have a depreciation
13 rate here that's specified in the settlement, but we
14 don't have a FERC account per se that has been
15 identified. And so if you already know what that is and
16 you can tell us that, I mean, I think that that is
17 something that would be helpful. But if it's not -- I
18 think, you know, typically I think our rule here, I
19 think, basically states that all depreciation rates have
20 to be approved, and they're normally associated with
21 specific accounts. And so that's, that's why I'm
22 wondering if there's an implied filing in the future not
23 only for that but also for -- in 17c it talks about
24 Commission-approved rates and prices for energy use at
25 the EVSE and the other case where we have EV drivers

1 making purchases directly from DEF.

2 I'm not certain what those Commission-approved
3 rates and prices are. And is there a proposal for --
4 that would be forthcoming for the overall program?

5 **MR. PORTUONDO:** So taking -- this is Javier
6 Portuondo again. Taking the latter question, the tariff
7 rate that we believe is going to be applicable in, I
8 think, every case is probably going to be the general
9 service time of use rate. So that is already approved
10 by the Commission, so no action necessary there.

11 With regards to the initial question, as to
12 the FERC primary account in which the charging stations
13 would be recorded, that is an excellent question.
14 Because this was a pilot program, it was my initial
15 thought that this would be treated as, as a regulatory
16 asset rather than an electric plant-in-service asset.

17 In the electric plant-in-service asset world,
18 there is already a FERC primary account for charging
19 stations, but the recovery period associated with that
20 particular number I think is a longer period than what
21 we've proposed because of this being just a, a pilot
22 exercise.

23 If the Commission staff has a preference, we
24 are more than willing to entertain that preference and
25 take the appropriate actions based on that preference.

1 But, Bill, that's, that's what I was thinking. So if
2 you can envision, this could be treated akin to load
3 management devices, which do not appear in electric
4 plant-in-service but really are recorded in deferred
5 asset accounts and then amortized over five years.
6 That's, that's where I was going with this particular
7 provision.

8 **MR. McNULTY:** Okay. Thank you for that
9 explanation, and we will -- we'll ponder all of that
10 after the meeting.

11 **MR. PORTUONDO:** Thank you.

12 **MR. McNULTY:** Sure.

13 Moving along, what -- I know that there are
14 provisions in this Section 17 for extending this program
15 to a permanent program. What is envisioned happens to
16 these 530 installations on January 1, 2022? Are they
17 continued to be used and under what format would they be
18 used?

19 Apparently, you know, the whole concept of the
20 marketing of this is to build the market. So I'm just
21 kind of trying to get a handle on what happens at that
22 point in time to those facilities.

23 **MR. PORTUONDO:** This is -- sure. This is
24 Javier Portuondo again. It is my vision that if the
25 Commission deems the program as not in the interest of

1 customers to continue, those facilities would be
2 decommissioned because they will be, you know, fully
3 recovered through the five-year recovery period. We
4 will seek to, of course, maintain them, and we would
5 remove the facility as, as quickly as possible.

6 **MR. McNULTY:** And if, and if they are deemed
7 to have some merit and you are going to make a filing
8 for the continuation of the program and expansion of the
9 program, then how would it work out?

10 **MR. PORTUONDO:** Well, then the Commission
11 would provide us the necessary guidance as to how this
12 program should move forward with regards to the benefits
13 to the total body of customers that we're able to
14 present. They would guide us as to how we should
15 proceed and whether there are any particular limitations
16 or preferences in deployment. I think that's part of
17 the proceeding that everyone will get together to really
18 discuss: What is in the best interest of customers
19 moving forward and what does that look like? So it's
20 yet to be decided.

21 **MR. McNULTY:** Would it be fair to assume then
22 that the, that the filing for the either elimination or
23 continuation of the program will be early enough so that
24 the Commission will be able to react and make that
25 decision prior to January 2022?

1 **MR. PORTUONDO:** Yeah. It'll be one year prior
2 to the five-year conclusion of the program --

3 **MR. McNULTY:** Okay.

4 **MR. PORTUONDO:** -- in the fourth year that we
5 will make the filing, so it's kind of intentional so
6 that we would have clear and concise guidance from the
7 Commission as to what happens at the conclusion of the
8 fifth year.

9 **MR. McNULTY:** Okay. In 17a(iii) there's a --
10 excuse me -- not 17a -- 17f(ii) there is a report that
11 is going to be provided on an annual basis involving all
12 the data that's identified in 17f(i). Can you give me
13 an idea of the timing of that filing, that annual
14 filing? Do you have a concept for when that will
15 happen?

16 **MR. PORTUONDO:** Yeah. This is Javier again.
17 Excellent question. Unfortunately I don't know. I
18 think we -- we still have the balance of this year. We
19 will be working with our subject matter experts and
20 possibly one of the other Intervenors that's not a party
21 to this agreement to, to flesh out the type of
22 information that is of importance in ultimately arriving
23 at a go/no-go decision in the future. And then we would
24 need to figure out the cadence of that filing depending
25 on the type of data that's being captured. Right? We

1 don't -- we want the filing to be meaningful. So
2 unfortunately that's a TBD at this point.

3 **MR. McNULTY:** Is that a TBD meaning that we,
4 we -- you'll find that out before our discovery process
5 is done, or is it one that just isn't going to be known
6 for -- until after --

7 **MR. PORTUONDO:** It is not going to be -- it
8 is -- this is Javier again. It will not be known
9 between now and the 25th when the Commission hears the
10 settlement.

11 **MS. TRIPLETT:** This is Dianne with Duke
12 Energy. The settlement does require us to do it on an
13 annual basis. So I would imagine that to comply we
14 would have to file it sometime within the first year
15 of -- after the effective date of the settlement, which
16 is when the Commission, if the Commission approves, when
17 they approve.

18 I think what Javier is alluding to is the
19 first year it may not be a very exciting, robust report
20 because we're going to have to ramp up, we're going to
21 have to figure out where, what the best locations are.
22 We may not have a lot of, for example, usage data. But
23 I think certainly within the first year, so if the
24 Commission approves October 25th, that would be October,
25 by October 25th of 2018 we'll be filing at least

1 something to say, "This is where we're at. We have
2 vendors selected. We have sites located. We have
3 nothing in yet, but we expect to have it," something
4 like that. And then we can expect to see a following
5 report. And the next annual report would hopefully then
6 have additional data like what the load profiles are and
7 how people are actually using the infrastructure.

8 **MR. McNULTY:** Okay. Thank you for that.

9 I want to skip back to something that Javier
10 had discussed earlier, basically saying that with a
11 depreciation rate of 20 percent, obviously this
12 equipment is going to be put in over time throughout the
13 period through 2021.

14 Some of that -- if the Commission were to
15 determine at a later time, and based upon filings made
16 by the company, to cease the program and not have a
17 permanent program, there will be some unrecovered plant
18 necessities by merit of the fact that the full five
19 years will not have run for all the EVSE installations.
20 Is that, is that amount a write-off? How is that
21 addressed after 2021?

22 **MR. PORTUONDO:** The full amount of the
23 facilities will be recovered over the time period
24 prescribed in the settlement.

25 **MR. McNULTY:** How is that possible if you

1 don't have some equipment in place until 2021 and you
2 have a five-year --

3 **MR. PORTUONDO:** Well, no, no, no. I apologize
4 for interrupting. This is Javier. No, it's the intent
5 of Duke Energy, in order for this pilot to make any
6 sense at all, to have these facilities deployed as early
7 next year as humanly possible.

8 **MR. McNULTY:** I see. All right. Thank you.

9 **MR. PORTUONDO:** Otherwise, otherwise, we're
10 not going to have any, any real, you know, information
11 to base our, our conclusions as to whether the pilot
12 made sense or not. So the action plan for the balance
13 of this year is to move very quickly, issue our RFPs
14 for, for partners for the equipment. We are already
15 getting calls for cities that want to be hosts for these
16 facilities.

17 So, so our goal is to utilize the balance of
18 this year, if the Commission approves this settlement,
19 to flesh all that out so we can hit the ground running
20 in 2018 and begin to, to deploy these as early in '18 as
21 possible. Therefore, that amortization period should
22 work quite nicely.

23 **MR. McNULTY:** Okay. I just have -- that's
24 great. And I just have a few more questions. If I
25 could turn your attention to 17d -- excuse me -- 17e.

1 It discusses dedicated program funding for market
2 education and outreach to be capped at 5 percent of
3 \$8 million. Is that incremental to and above the
4 \$8 million that is discussed in 17a(ii)?

5 **MR. PORTUONDO:** Yes. This is Javier. The
6 answer is, yes, that becomes part of the operating and
7 maintenance expenditures that will be part of the
8 regulatory asset.

9 **MR. McNULTY:** Okay. And then finally, in 17g,
10 regulatory treatment and procedure, there is a statement
11 that says, "The revenues generated through the EVSE
12 shall offset the amount of the costs to be deferred to
13 the regulatory asset."

14 Is -- understand, I haven't had an opportunity
15 to look at the, at the GS time of use rate that you've
16 discussed, Javier, and have no idea about the
17 fundamental demand that the company expects and so
18 forth. But is there intent here to try to make this
19 pilot program revenue neutral? And can you, in that
20 regard, address the question of cross-subsidy for
21 post-2021 when this regulatory asset would be recovered
22 over a four-year period?

23 **MR. PORTUONDO:** This is Javier. The answer is
24 that there is no, there is no requirement for this to be
25 revenue neutral because we have no ability to guarantee

1 the utilization of these facilities. That is the
2 purpose for the pilot.

3 It's the proposal here in this settlement that
4 the Commission approve the willingness of undertaking
5 this relatively small pilot to assess its overall value.
6 So, therefore, yes, there, there is -- up until the
7 Commission determines that this has overall benefits to
8 our general body of customers, there is a
9 cross-subsidization element to it. Because it's very
10 small, I would imagine, because it's a small investment
11 and general operating costs associated with the 530
12 ports.

13 But it is not -- there is no provision that
14 requires a guarantee that this is revenue neutral.
15 Because we, we don't have charging stations, we don't
16 know how, how they will be utilized. We will attempt to
17 use the funds provided from marketing to maximize their
18 utilization. We will work with the cities and the
19 customers that have expressed interest or will express
20 interest to try and select those that are likely to
21 foster the most participation. But there is no
22 guarantee.

23 **MR. McNULTY:** Thank you. That's all the
24 questions I had on 17.

25 **MR. MAUREY:** Thank you.

1 Paragraph 18.

2 **MR. MOYLE:** Can I say one thing, though?

3 **MR. MAUREY:** Oh, sure.

4 **MR. MOYLE:** So in response to one of the
5 questions, I think Javier said, "Well, the options are
6 we continue it or we come in and rip out the stuff and,
7 and we recover it and move on." I think, I think, you
8 know, there's still a lot of open questions on this.
9 But I think also, given how it's set up, that third
10 parties can make this available, you know, should they
11 want, that obviously it doesn't have to be ripped out.
12 It can just be sold to a third party and let a third
13 party run it and have the utility not be the one running
14 it. So I wanted to just make that point. That's,
15 that's all.

16 **MR. PORTUONDO:** This is Javier, this is Javier
17 for Duke. I totally agree with Mr. Moyle. That was
18 simply an oversight on my part. He is absolutely
19 correct.

20 **MR. MAUREY:** Thank you for that clarification.

21 Paragraph 18.

22 All right. Paragraph 19. When I asked the
23 question earlier during paragraph 14, here's where it
24 was discussed in a little more detail about the
25 adjustment to the equity ratio. But it was just in

1 reference to paragraph 14. All the other base rate
2 calculations and all these other enumerated paragraphs
3 are not affected by this adjustment.

4 Okay. Any other questions on 19?

5 Twenty.

6 **MR. COSTON:** I just have one question on --

7 **MR. HETRICK:** Can you identify yourself?

8 **MR. COSTON:** Oh, yes. Sorry. Tripp Coston,
9 Commission staff. Thank you. One question on paragraph
10 20. In the paragraph it says that the company agrees
11 that the level of clause-recoverable credits will not
12 change after the expiration of the term absent a
13 Commission order, after the expiration of the term
14 absent a Commission order in our general base rate or
15 demand -- DSM proceeding.

16 My question on that is if the, the term
17 expires, would there be an opportunity or does this
18 remove the opportunity to reevaluate the
19 cost-effectiveness of these credits in that process
20 until a future rate, rate base case or a DSM plan?

21 **MS. TRIPLETT:** This is Dianne with Duke
22 Energy. I think that the intent there is that because
23 those credits are a conservation -- that they are
24 recovered through the ECCR and they're typically set in
25 a demand side management goals or plan proceeding, that

1 absent that sort of proceeding or a general base rate
2 case, it was negotiated with the parties that we would
3 not seek to change those absent either of those types of
4 proceedings.

5 If -- I believe that if, if it became -- we
6 became aware or the Commission became aware of facts
7 that called into question the cost-effectiveness of
8 those credits, I think that the Commission would -- I
9 believe the statute that allows for -- well, that
10 requires the Commission every five years to set goals,
11 it actually allows the Commission to look at goals even
12 on a more frequent basis, so we were in a situation
13 where we did not plan to file a general base rate case
14 and we were not in the usual every five-year goal cycle,
15 I think the Commission would have the discretion to
16 order us in for another goal setting proceeding if it
17 were to become apparent -- well, for any reason, but in
18 particular in response to your question, if it became
19 apparent that the credits were not cost-effective or
20 something was impacting the level.

21 So, but what this does is it prevents Duke
22 from coming in just on a standalone proceeding outside
23 of a general base rate case for its DSM goal setting
24 proceeding and seeking to change the level of those
25 specific credits.

1 **MR. COSTON:** Okay. Thank you.

2 **MR. MOYLE:** Yeah. And just to be clear, I
3 mean, the credits that, that are set forth are set forth
4 for the term of the agreement. I want to make sure
5 we're on the same page on that, so.

6 **MR. COSTON:** Correct. Okay.

7 **MS. TRIPLETT:** Yes. This is Dianne with Duke.
8 We agree. And this provision is talking about what
9 happens after the expiration of the term.

10 **MR. COSTON:** Correct. We understood that,
11 yes.

12 **MR. MOYLE:** Right. And the document says,
13 "Here's, you know, here's when it would happen, in a
14 base rate case or a" -- it limits it. That was
15 something we wrestled over a little bit.

16 **MR. MAUREY:** All right. Thank you.

17 Paragraph 21. Twenty-two. Twenty-three.

18 **MR. FLETCHER:** This is Bart Fletcher. I had
19 one on paragraph 23. We'll be asking in a data request
20 to provide a detailed narrative explaining the new
21 Customer Information System. If you would, just briefly
22 describe what that is here.

23 **MR. PORTUONDO:** My apologies. This is Javier
24 Portuondo. Could you ask that question again?

25 **MR. FLETCHER:** Yes. We're going to be

1 following up with a data request asking for a detailed
2 narrative explaining exactly what the new Customer
3 Information System is, but yet, if you could, just give
4 a brief description of what it is for the --

5 **MR. PORTUONDO:** It is -- this is Javier
6 Portuondo. It is a wholesale replacement of our current
7 Customer Information System. CSS is sometimes how we've
8 referred to it, Customer Service System. It is a
9 complete rewrite using the latest technology to enhance
10 the customer end use abilities, increase our flexibility
11 around billing and designing the new tariffs that
12 customers may wish in the future, increase the
13 flexibility of our ability to, to make modifications, to
14 add lines to the bill and things like that that in the
15 current system is quite difficult for, for us to do.

16 The wholesale uplift or rewrite of the system
17 is also intended to facilitate the smooth integration to
18 the advanced metering infrastructure to help customers
19 manage their usage by utilizing tools that allow them to
20 see their usage on their account on an hourly basis.
21 They can see how it's being consumed. And it'll also
22 allow us to provide them tools that will facilitate a
23 projection of patterns if they continue to use as has
24 been -- the last 15 days, what would the end of the
25 30-day look like for their bill? So it is trying to

1 bring our, our system to a more 21st Century view that
2 customers have been accustomed to now in other
3 businesses that they interact with.

4 **MR. FLETCHER:** Thank you.

5 **MR. REHWINKEL:** Hey, Bart, this is Charles
6 Rehwinkel. Just for clarification on the record, Javier
7 used the word "wholesale" twice. He didn't mean that in
8 the jurisdictional sense. He meant it in the term -- in
9 the sense of completeness.

10 **MR. PORTUONDO:** Yes, sir.

11 **MR. FLETCHER:** I see where it has a provision
12 there that begins in 2023. What is the unamortized
13 system and jurisdictional retail amounts for this
14 regulatory asset?

15 **MR. PORTUONDO:** That's yet to be determined as
16 we incur the expenses.

17 **MR. FLETCHER:** That just will be followed up
18 with a data request what the estimated amounts are.
19 Okay.

20 **MR. PORTUONDO:** Oh, very good.

21 **MR. FLETCHER:** Thank you.

22 **MR. MAUREY:** Paragraph 24. Go ahead.

23 **MR. STRATIS:** Hi. I'm Nicholas Stratis with,
24 with staff, and I have one question on Exhibit 2 of the
25 agreement with probable data requests to follow.

1 Are the units in Exhibit 2 and the table, do
2 those units appear in any other source or any other
3 place like the Ten-Year Site Plan or the true-up of
4 August 24th? And I'll probably follow that up with a
5 data request as well.

6 **MR. PORTUONDO:** So this is Javier Portuondo
7 for Duke again. The exhibit -- I believe you're saying
8 Column A of Exhibit 2, which are the billing determinant
9 units, and the question is what is the source of those
10 units?

11 Those are the same units that have been
12 utilized in our projection filing in the clauses to set
13 rates for 2018.

14 **MR. STRATIS:** All right. Thank you.

15 **MR. MAUREY:** We have one follow-up question on
16 paragraph 24. Among other things, it talks about upon
17 completion of the AMI meter deployment, DEF will
18 introduce a residential time of use rate. When is it
19 anticipated that DEF will complete AMI meter deployment?

20 **MR. PORTUONDO:** This is Javier for Duke Energy
21 again. Our ETA for that is around early fourth quarter
22 of 2021.

23 **MR. MAUREY:** Okay. Thank you.

24 **MR. FUTRELL:** This is Mark Futrell with staff.
25 Just to follow up Andrew's question, and, Javier, you

1 may be able to answer this, can you give us a little
2 more detail on the scope of the AMI project as far as
3 the extent to the customer classes that will be
4 receiving this technology?

5 **MR. PORTUONDO:** This is Javier for Duke
6 Energy. The scope is to replace all of the residential
7 1.5 million meters currently out. Possibly that will
8 also include some commercial meters that don't already
9 have remote telemetry. Many of, like, our IS customers,
10 CS customers already have sophisticated metering
11 equipment that has telemetry, remote telemetry, so those
12 will not necessarily get addressed in this cycle.

13 But it is our goal to move everyone that's
14 currently on the driveby metering system to the AMI.

15 **MR. FUTRELL:** And this is Mark Futrell again
16 just to follow up. So does this also contemplate not
17 just a meter replacement but also a mesh network to
18 facilitate the communication between the meters and back
19 to the, to the home office?

20 **MR. PORTUONDO:** Yes. There will be a
21 communications infrastructure with this as well.

22 (Interruption.)

23 **MS. MAPP:** I'd just remind whoever put us on
24 hold, please do not do so. If you need to, you can hang
25 up and dial back in if you have another call. But

1 please do not place the call on hold. That does
2 interfere with the telephone call.

3 Okay. You can continue.

4 **MR. MAUREY:** Paragraph 25. Twenty-six.

5 **MR. FLETCHER:** This is Bart Fletcher. On 26
6 what is the specific accounting standards qualifications
7 associated with the GAAP required and referenced in that
8 paragraph provision?

9 **MS. OLIVIER:** This is Marcia Olivier with Duke
10 Energy. If you could just include that in the data
11 request, we could provide that. I don't think we have
12 that right here at our fingertips.

13 **MR. FLETCHER:** Okay. Thank you.

14 **MR. MAUREY:** Paragraph 27. Twenty-eight.
15 Twenty-nine. Thirty. Thirty-one. Thirty-two.
16 Thirty-three. Thirty-four. Thirty-five. Thirty-six.
17 Thirty-seven. Thirty-eight.

18 **MR. FLETCHER:** This is Bart Fletcher again.
19 Just for this one, it's tangentially related, this
20 question. But as a result of Hurricane Irma, does DEF
21 anticipate in the foreseeable future filing a petition
22 under paragraph provision 38c?

23 **MR. PORTUONDO:** It is more likely than not
24 that we will.

25 **MR. REHWINKEL:** Bart, was your question

1 whether Duke would file it under the new agreement or
2 the old one?

3 **MR. FLETCHER:** I guess under this new one, if
4 it gets approved.

5 **MR. REHWINKEL:** I think the provisions are
6 identical.

7 **MR. PORTUONDO:** They're identical.

8 **MR. REHWINKEL:** So from our standpoint, it
9 doesn't matter. There may be a legal nuance about
10 whether you go under the old one or the new one
11 depending on the timing of approval. But from our
12 standpoint, it would not matter. If the Commission
13 approves this, there's a seamless transition from the
14 existing storm provision to the one.

15 **MR. FLETCHER:** Okay. Thank you.

16 **MR. MAUREY:** This is Andrew. Obviously you
17 don't have all the costs, but is it -- it sounds like,
18 from media reports, the damage is going to be in excess
19 of a \$132 million reserve balance. And the balance
20 wasn't -- was half of that at the beginning of the year.
21 So that reserve balance will go negative as a result of
22 this storm?

23 **MR. PORTUONDO:** Andrew, this is Javier
24 Portuondo. I just -- the reason I am indicating that
25 we're likely to need a filing subject to this

1 provision -- and Charles is correct, if we file in '17,
2 it will be under the current settlement -- is that I
3 only have about \$50 million left in my reserve. And
4 it's very, very likely that this storm will exceed that
5 50 million, given the magnitude that -- of the, of the
6 service territory that it has impacted.

7 **MR. MAUREY:** Okay. Thank you.

8 **MR. PORTUONDO:** I do not have at this point in
9 time any estimate of the financial impact. That will
10 take some time after restoration is complete to gather.
11 No one is focusing on that at this time. Our highest
12 priority is restoration.

13 **MR. MAUREY:** And, again, that's perfectly
14 reasonable. We're certainly not inviting a rush of that
15 petition. But we -- thank you.

16 **MR. MOYLE:** Can I ask a question on that?

17 **MR. MAUREY:** Yes.

18 **MR. MOYLE:** Is there -- are there any FEMA
19 monies available to Duke as a result of the storm with
20 respect to restoration costs? Do you know, Javier?

21 **MR. PORTUONDO:** In my experience over
22 32 years, I have never seen any credits coming from FEMA
23 for storm restoration. I will, I will be glad to ask
24 that question, but historically I have never seen it.

25 **MR. MOYLE:** Yeah, because I guess the thing in

1 my mind is now that there's been a federal declaration,
2 local governments are able to get 80 percent of their
3 costs reimbursed by the feds. So if you were a muni
4 system, maybe -- I don't know. It doesn't seem that
5 that makes sense that munis and governmental systems
6 would get 80 percent reimbursement and IOUs wouldn't get
7 any, but I don't know.

8 **MR. PORTUONDO:** I will, I will ask -- this is
9 Javier. I will ask the question, Jon. It's a legit
10 question. I've just never seen such a credit coming our
11 way. But I will pose the question to the folks that are
12 closest to the FEMA organization.

13 **MR. REHWINKEL:** This is Charles Rehwinkel.
14 Andrew and Bart, I wanted to clarify something about the
15 difference between the existing agreement and the, the
16 proposed agreement.

17 If there's a filing made under the existing
18 agreement, and Javier can speak to this, the provision
19 there is a reset to the level of the reserve at the time
20 of the approval of that agreement. And so I don't know
21 what that amount was. I think y'all asked a data
22 request the last time around, so I think it's in the
23 record somewhere.

24 **MR. MAUREY:** Well, yeah, I was reading this.

25 **MR. PORTUONDO:** Charles --

1 **MR. MAUREY:** Oh, go ahead.

2 **MR. PORTUONDO:** This is Javier. I just wanted
3 to follow up on Charles' observation. It is actually
4 the same value as we incorporated into the provisions of
5 the new settlement, which is approximately a hundred --
6 or is \$132 million retail. That is the number.

7 **MR. REHWINKEL:** Okay. I just didn't know
8 what -- because it's not specified in the agreement, in
9 the old one.

10 **MR. MAUREY:** That's correct. It wasn't
11 specified by number, but it was indexed back to a point
12 in time.

13 **MR. REHWINKEL:** Yeah. I just wanted to be
14 clear that if there was a difference, it might make a
15 difference. But if they're the same exact number, then
16 it would be truly seamless and wouldn't really matter
17 which they filed under.

18 **MR. MAUREY:** Okay. Thank you for that
19 clarification.

20 Paragraph 39. Forty. Forty-one.

21 All right. Are there any other questions that
22 staff in the room has on the agreement at this time?

23 (No response.)

24 All right. I want to thank everyone for this
25 opportunity. We will follow up with another round of

1 data requests. And thank you, Dianne. I have received
2 the second round of responses now, and we'll be having
3 another -- at least a third round and possibly a fourth
4 round coming out shortly. This all has been very
5 helpful. I'll turn it back to legal.

6 **MS. MAPP:** All right. Yes, Dianne.

7 **MS. TRIPLETT:** Oh, no, I was just going to say
8 it sounds good. We'll be ready to turn those around
9 when you guys get them out. Thank you.

10 **MR. MOYLE:** Can I raise one point?

11 So I saw some intervention petitions have been
12 filed. I think that we -- in the past sometimes we've
13 intervened and sometimes we haven't in these settlement
14 agreements. Is there any preference from staff as to
15 how to handle that? Or have you guys filed a notice? I
16 saw Jay Brew filed a petition. I don't want to be left
17 out of the party and somebody saying, "Well, you didn't
18 intervene."

19 **MR. REHWINKEL:** Well, once PCS intervened, we,
20 you know, it just -- it was pretty easy for us to just
21 do it as a matter of -- in an abundance of caution. So
22 that's why we did it.

23 **MR. MOYLE:** Well, I'll probably do it as well
24 then.

25 **MS. MAPP:** Yeah. I think in an abundance of

1 caution, file intervention.

2 And if anyone -- no one -- I'm sorry. This is
3 Kyesha Mapp. Does anyone else have any final comments
4 or questions that they'd like to make?

5 (No response.)

6 Okay. Thank you, everyone, for attending.
7 This was a very productive meeting, and the data request
8 questions will be going out shortly. If there are no
9 further questions, I'll end the call. Thank you,
10 everyone, for your time.

11 (Meeting adjourned at 10:30 a.m.)

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1 STATE OF FLORIDA)
 :
2 COUNTY OF LEON) CERTIFICATE OF REPORTER

3
4 I, LINDA BOLES, CRR, RPR, Official Commission
5 Reporter, do hereby certify that the foregoing
6 proceeding was heard at the time and place herein
7 stated.

8 IT IS FURTHER CERTIFIED that I
9 stenographically reported the said proceedings; that the
10 same has been transcribed under my direct supervision;
11 and that this transcript constitutes a true
12 transcription of my notes of said proceedings.

13 I FURTHER CERTIFY that I am not a relative,
14 employee, attorney or counsel of any of the parties, nor
15 am I a relative or employee of any of the parties'
16 attorney or counsel connected with the action, nor am I
17 financially interested in the action.

18 DATED THIS 25th day of September, 2017.

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24
25


LINDA BOLES, CRR, RPR
FPSC Official Hearings Reporter
(850) 413-6734

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: September 14, 2017

TO: Carlotta S. Stauffer, Commission Clerk, Office of Commission Clerk

FROM: Margo A. DuVal, Senior Attorney, Office of the General Counsel

RE: Docket No. 20170183-EI - Application for limited proceeding to approve 2017 second revised and restated settlement agreement, including certain rate adjustments, by Duke Energy Florida, LLC.

Docket No. 20100437-EI – Examination of the outage and replacement fuel/power costs associated with the CR3 steam generator replacement project, by Progress Energy Florida, Inc.

Docket No. 20150171-EI - Petition for issuance of nuclear asset-recovery financing order, by Duke Energy Florida, Inc. d/b/a Duke Energy.

Docket No. 20170001-EI - Fuel and purchased power cost recovery clause with generating performance incentive factor.

Docket No. 20170002-EG - Energy conservation cost recovery clause.

Docket No. 20170009-EI - Nuclear cost recovery clause.

Please add the attached PowerPoint presentation to be used at the September 15, 2017 Informal Meeting to the above-referenced docket files.

MAD/as



DEF 2017 Settlement Agreement (FPSC Docket No. 20170183-EI)

September 15, 2017

- The 2017 Second Revised and Restated Settlement Agreement (“2017 Settlement”) replaces the 2013 Revised and Restated Stipulation and Settlement Agreement (“RRSSA”), which was approved per Order PSC-13-0598-FOF-EI, and later amended three times as approved per Order Nos. PSC-15-0465-S-EI, PSC-16-0138-FOF-EI, and PSC-16-0425-PAA-EI.
- Parties to the 2017 Settlement include the Original Parties to the RRSSA (Office of Public Counsel, Florida Industrial Power Users Group, White Springs d/b/a PCS Phosphate, and Florida Retail Federation) along with the Southern Alliance for Clean Energy.
- The 2017 Settlement becomes effective upon Commission approval and extends the term of the RRSSA for three years, from Dec 2018 to Dec 2021 (with certain items extending beyond 2021).
- The Parties have requested that the tariffs needed to implement the 2017 Settlement go into effect January 1, 2018, subject to refund, if the Commission does not approve by December 31, 2017.

Summary* of Key Provisions of the 2017 Settlement

*Please note that this is a summary and that the terms contained in the complete 2017 Settlement reflect the Parties' full intent.

- **Recovery from Customers** - No further recovery of past, present or future LNP costs from customers. [¶10 & ¶11]
- **Combined Operating License (COL)** – write off total amount in CWIP (~\$37M). [¶10]
- **NCRC** - Write off all remaining LNP costs in NCRC (\$82M). (Note, removed \$2.50/1000 kWh residential in 2018 from NCRC/CCR projection filed in May 2017). [¶11]
- **Termination Fee/Costs** - Write off amount awarded to Westinghouse (\$30M + \$4M interest) and all costs associated with litigation, including future additional costs awarded as a result of the pending Westinghouse appeal. All future costs related to LNP to be written off. [¶11]
- **Levy Land** – Remove Levy land from rate base and earnings surveillance reports by no later than January 1, 2019. [¶10]

- **Multi-year Base Rate Increase** – Incremental annual increases to base rates of \$67M from 2019-2021 (Total cumulative revenues of \$67M in 2019, \$133M in 2020 and \$200M in 2021 (compared to 12/31/17 level)) [¶ 12.b.] (note, see changes that need to be made if income tax rate changes on “Tax Reform” slide). [Exhibit 6]
- **Solar Base Rate Adjustments** – Base rate increases to be determined and implemented with in-service date of each solar project approved by the Commission, but no earlier than Jan 2019 and no later than Dec 2022. [¶ 15]; see more detail in next slide.
- **Fuel Adjustment Clause** – Recover \$196M (or amount determined by Commission) under-recovered fuel (based on 2017 act/est true-up filing) evenly over a two year period in 2018 and 2019. Reduces projected 2018 fuel increase by \$2.53/1000 kWh (residential). [¶ 6]
- **Remove Levy from NCRC** – Remove \$2.50/1000 kWh (residential) Levy recovery, requested in May 2017 filing, from NCRC/CCR effective Jan 2018. [¶ 10]
- **Citrus CC GBRA** - Not new, included in existing 2013 Settlement. [¶14] Basis for recovery preserved from 2013 Settlement.

- Up to 700 MW (max 350MW by Y/E 2019, 525MW by Y/E 2020 & 700MW by Y/E 2022). [¶15.d.]
- Weighted average costs in each filing cannot exceed \$1,650/kWac (note, the cap is not per project and specific categories of costs are listed in this paragraph). [¶15.a.]
- No base rate increase allowed prior to 2019, but rate increases can extend into 2022 for projects filed in 2021. [¶15.a.]
- No material solar projects can be placed in service that are not subject to the settlement, and all projects qualifying for cost recovery under this settlement must be placed in service by Y/E 2022. [¶15.a.]
- If actual capex is less than projected in the initial base rate increase, DEF must make a one-time adjustment to reduce base rates and include a credit in CCR for the difference in revenue requirements from the time of the initial base rate increase to the time of the adjustment to base rates. [¶15.g.]
- If capex is higher than approved, DEF can initiate a limited proceeding and, upon FPSC approval, increase base rates, subject to \$1,650/kWac hard cap. [¶15.g.]
- DEF must receive FPSC approval for all eligible projects before construction. Solar projects 75 MW or greater obtain need determination pursuant to Power Plant Siting Act. Solar projects less than 75 MW require Commission approval in a separate proceeding. [¶15.b.&c.]

■ Electric Vehicle Service Equipment (EVSE) [¶17]

- Under a 5 year pilot program (2018-2022), DEF to purchase, install, own & support minimum of 530 EVSE at customer locations. [¶17.a. and Exhibit 7]
- Invest up to \$8M [¶17.a.] plus operating costs (i.e. full revenue requirements) to be deferred to a regulatory asset earning authorized AFUDC rate. Revenue generated through EVSE to offset the regulatory asset. [¶17.g.]
- DEF shall file a request for a separate proceeding for approval of a permanent EVSE offering within 4 years of effective date (~ Dec 2021) or make a filing explaining why not. [¶17.f.] DEF may begin recovering regulatory asset over 4 years in base rates upon making this filing, but no sooner than Jan 2022. [¶17.g.]
- DEF to report annually to the FPSC specific information, including installation costs by market segment and technology type, load growth data, electricity prices paid by customers, etc. [¶17.f.]

■ Battery Storage Pilot [¶27]

- DEF may implement a 50 MW battery storage pilot in various locations TBD.
- Costs must be reasonable and on average cannot exceed \$2,300/kWac. Interveners cannot contest prudence of the decision to make the investments in battery storage but may challenge the reasonableness of actual costs incurred.
- DEF may request cost recovery in its next general base rate case. (No deferral of costs or rate increases during settlement term, but will be included in surveillance reporting.)

■ **Federal Corporate Income Tax Changes** [¶16 and Exhibit 6]

- DEF to quantify impact of tax reform on retail base revenue requirement using the forecasted earnings surveillance report for the year tax reform becomes effective. (Note, this is a one-time calculation only in the first year of tax reform effectiveness, if it occurs.)
- If favorable, DEF can retain up to 40% of tax reform savings to accelerate depreciation of CR4&5 up to \$50M pretax annually. This amount remains constant in each subsequent year, based on the one time calculation in the first year as described above. All remaining tax reform savings will be flowed back to retail customers through a base rate decrease within 120 days of tax reform enactment.
- Favorable impacts from effective date of tax reform until the date of base rate adjustment to be flowed back to customers in CCR clause (using uniform % methodology).
- If unfavorable impact, defer retail revenue requirement impact to a regulatory asset each year through 2021 to be addressed in future rate case.

■ **Impact on Base Rate Increases** [¶16.b. and Exhibit 6]

- Multi-year, Solar and Citrus CC base rate increases that have not yet gone into effect must be adjusted if income tax rates change.

- **Tariffs to Implement Rate Changes**

- Effective January 1, 2018.

- **FixedBill Program** [¶30 and Exhibit 5]

- Effective March 1, 2018, residential customers can choose to use the optional Fixed Bill tariff which will fix the monthly bill amount for 12 months with no true-up.

- **Shared Solar Tariff** [¶29 and Exhibit 5]

- Effective upon completion of programming, residential, commercial & industrial customers can pay a monthly subscription fee for output from solar generating plants and receive a monthly credit on bills for the fuel savings.
- Both the monthly subscription fee and monthly credit are specified in the tariff.

- **Economic Development and Re-Development** [¶18]

- DEF to make permanent these pilots (included in tariff sheets in Exhibits 3 & 4).