

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Fuel and purchased power cost recovery clause with generating performance incentive factor.	DOCKET NO. 20180001-EI
	DATED: October 2, 2018

**DUKE ENERGY FLORIDA, LLC’S
PREHEARING STATEMENT**

Duke Energy Florida, LLC (“DEF”) hereby submits its Prehearing Statement with respect to its levelized fuel and capacity cost recovery factors and its Generating Performance Incentive Factor (GPIF) for the period of January 2019 through December 2019:

1. **Known Witnesses** - DEF intends to offer the testimony of:

Witness	Subject Matter	Issues#
Christopher A. Menendez	Fuel Cost Recovery True-Up (2017); Capacity Cost Recovery True-Up (2017); Actual / Estimated and Projection Schedules; Other Matters	1B, 6-11, 18-23A, 27-36
Jeffrey Swartz	Bartow Plant Outage	1B
James McClay	Generic Hedging Issues; 2018 April/August Hedging Information	1A
Matthew J. Jones	GPIF: Reward/Penalty Schedules; GPIF: Targets/Ranges Schedules	16, 17

2. **Known Exhibits** - DEF intends to offer the following exhibits:

Witness	Proffered By	Exhibit #	Description
	Direct		

Christopher Menendez	DEF	(CAM-1T)	Fuel Cost Recovery True-Up (Jan – Dec. 2017)
Christopher Menendez	DEF	(CAM-2T)	Capacity Cost Recovery True-Up (Jan – Dec. 2017) CONFIDENTIAL
Christopher Menendez	DEF	(CAM-3T)	Schedule A12 for Jan-Dec 2017 CONFIDENTIAL
Christopher Menendez	DEF	(CAM-4T)	2017 Capital Structure and Cost Rates Applied to Capital Projects
Christopher Menendez	DEF	(CAM-2)	Actual/Estimated True-up Schedules for period January – December 2018 CONFIDENTIAL
Christopher Menendez	DEF	(CAM-3)	Projection Factors for January - December 2019
Christopher Menendez	DEF	(CAM-3)	Alternative Fuel and Capacity Cost Recovery Factors for January - December 2019
Jeffrey Swartz	DEF	(JS-1)	Bartow Plant Root Cause Analysis CONFIDENTIAL
James McClay	DEF	(JM-1T)	Hedging True-Up August - December 2017- CONFIDENTIAL
James McClay	DEF	(JM-1P)	Hedging Report (January – July 2018) – CONFIDENTIAL
Matthew Jones	DEF	(MJJ-1P)	GPIF Targets/Ranges Schedules for January – December 2019)

DEF reserves the right to identify additional exhibits for the purpose of cross-examination or rebuttal.

3. **Statement of Basic Position** - Not applicable. DEF's positions on specific issues are listed below.
4. **Statement of Facts**

FUEL ISSUES

COMPANY SPECIFIC FUEL ADJUSTMENT ISSUES

Duke Energy Florida, LLC

ISSUE 1A: Should the Commission approve as prudent DEF's actions to mitigate the volatility of natural gas, residual oil, and purchased power prices, as reported in DEF's April 2018 and August 2018 hedging reports?

DEF: Yes. The Commission should approve as prudent DEF's actions to mitigate the volatility of natural gas, residential oil and purchased power prices as reported in DEF's April 2018 and August 2018 hedging reports. (McClay)

ISSUE 1B: Has DEF made appropriate adjustments, if any are needed, to account for replacement costs associated with the February 2017 forced outage at the Bartow plant? If appropriate adjustments are needed and have not been made, what adjustments(s) should be made?

DEF: No adjustments were needed. (Swartz, Menendez)

Florida Power & Light, Co.

ISSUE 2A: Should the Commission approve as prudent FPL's actions to mitigate the volatility of natural gas, residual oil, and purchased power prices, as reported in FPL's April 2018 and August 2018 hedging reports?

DEF: No position.

ISSUE 2B: What was the total gain under FPL's Incentive Mechanism approved by Order No. PSC-2016-0560-AS-EI that FPL may recover for the period January 2017 through December 2017, and how should that gain to be shared between FPL and customers?

DEF: No position.

ISSUE 2C: What is the appropriate amount of Incremental Optimization Costs under FPL's Incentive Mechanism approved by Order No. PSC-2016-0560-AS-EI that FPL should be allowed to recover through the fuel clause for Personnel, Software, and Hardware costs for the period January 2017 through December 2017?

DEF: No position.

ISSUE 2D: What is the appropriate amount of Variable Power Plant O&M Attributable to Off-System Sales under FPL's Incentive Mechanism approved by Order No. PSC-2016-0560-AS-EI that FPL should be allowed to recover through the fuel clause for the period January 2017 through December 2017?

DEF: No position.

ISSUE 2E: What is the appropriate amount of Variable Power Plant O&M Avoided due to Economy Purchases under FPL's Incentive Mechanism approved by Order No. PSC-2016-0560-AS-EI that FPL should be allowed to recover through the fuel clause for the period January 2017 through December 2017?

DEF: No position.

ISSUE 2F: What is the appropriate amount of actual/estimated Incremental Optimization Costs under FPL's Incentive Mechanism approved by Order No. PSC-2016-0560-AS-EI that FPL should be allowed to recover through the fuel clause for Personnel, Software, and Hardware costs for the period January 2018 through December 2018?

DEF: No position.

ISSUE 2G: What is the appropriate amount of actual/estimated Variable Power Plant O&M Attributable to Off-System Sales under FPL's Incentive Mechanism approved by Order No. PSC-2016-0560-AS-EI that FPL should be allowed to recover through the fuel clause for the period January 2018 through December 2018?

DEF: No position.

ISSUE 2H: What is the appropriate amount of actual/estimated Variable Power Plant O&M Avoided due to Economy Purchases under FPL's Incentive Mechanism approved by Order No. PSC-2016-0560-AS-EI that FPL should be allowed to recover through the fuel clause for the period January 2018 through December 2018?

DEF: No position.

ISSUE 2I: What is the appropriate amount of projected Incremental Optimization Costs under FPL’s Incentive Mechanism approved by Order No. PSC-2016-0560-AS-EI that FPL should be allowed to recover through the fuel clause for Personnel, Software, and Hardware costs for the period January 2019 through December 2019?

DEF: No position.

ISSUE 2J: What is the appropriate amount of projected Variable Power Plant O&M Attributable to Off-System Sales under FPL’s Incentive Mechanism approved by Order No. PSC-2016-0560-AS-EI that FPL should be allowed to recover through the fuel clause for the period January 2019 through December 2019?

DEF: No position.

ISSUE 2K: What is the appropriate amount of projected Variable Power Plant O&M Avoided due to Economy Purchases under FPL’s Incentive Mechanism approved by Order No. PSC-2016-0560-AS-EI that FPL should be allowed to recover through the fuel clause for the period January 2019 through December 2019?

DEF: No position.

ISSUE 2L: Has FPL properly reflected in the fuel and purchased power cost recovery clause the effects of the St. John’s River Power Park transaction approved by Order No. PSC-2017-0415-AS-EI?

DEF: No position.

ISSUE 2M: What is the appropriate revised SoBRA factor for the 2017 projects to reflect actual construction costs that are less than the projected costs used to develop the initial SoBRA factor?

DEF: No position.

ISSUE 2N: What is the appropriate revised SoBRA factor for the 2018 projects to reflect actual construction costs that are less than the projected costs used to develop the initial SoBRA factor?

DEF: No position.

ISSUE 2O: Should the Commission approve revised tariffs for FPL reflecting the revised SoBRA factors for the 2017 and 2018 projects determined to be appropriate in this proceeding, effective January 1, 2019?

DEF: No position.

ISSUE 2P: Are the 2019 SoBRA projects (Miami-Dade, Interstate, Pioneer Trail, Sunshine Gateway) proposed by FPL cost effective?

DEF: No position.

ISSUE 2Q: What are the revenue requirements associated with the 2019 SoBRA projects?

DEF: No position.

ISSUE 2R: What is the appropriate base rate percentage increase for the 2019 SoBRA projects to be effective when all 2019 projects are in service, currently projected to be March 1, 2019?

DEF: No position.

ISSUE 2S: Should the Commission approve revised tariffs for FPL reflecting the base rate percentage increase for the 2019 SoBRA projects determined to be appropriate in this proceeding?

DEF: No position.

ISSUE 2T: Should the Commission approve FPL's proposed generation base rate adjustment (GBRA) factor of 3.040% percent for the Okeechobee Clean Energy Center expected to go in-service on June 1, 2019?

DEF: No position.

Florida Public Utilities Company

ISSUE 3A: Has FPUC properly refunded \$221,415 to customers through the Fuel Clause in accordance with Order No. PSC-2018-FOF-EI?

DEF: No position.

Gulf Power Company

ISSUE 4A: Should the Commission approve as prudent Gulf's actions to mitigate the volatility of natural gas, residual oil, and purchased power prices, as reported in Gulf's April 2018 and August 2018 hedging reports?

DEF: No position.

Tampa Electric Company

ISSUE 5A: Should the Commission approve as prudent TECO's actions to mitigate the volatility of natural gas, residual oil, and purchased power prices, as reported in TECO's April 2018 and August 2018 hedging reports?

DEF: No position.

GENERIC FUEL ADJUSTMENT ISSUES

ISSUE 6: What are the appropriate actual benchmark levels for calendar year 2018 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

DEF: \$1,817,289. (Menendez)

ISSUE 7: What are the appropriate estimated benchmark levels for calendar year 2019 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

DEF: \$1,303,502. (Menendez)

ISSUE 8: What are the appropriate final fuel adjustment true-up amounts for the period January 2017 through December 2017?

DEF: \$16,096,208 under-recovery. (Menendez)

ISSUE 9: What are the appropriate fuel adjustment actual/estimated true-up amounts for the period January 2018 through December 2018?

DEF: \$34,602,826 under-recovery. (Menendez)

ISSUE 10: What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January 2019 to December 2019??

DEF: In Order No. PSC-2017-0451-AS-EU, the Commission approved the 2017 Actual/Estimated True-Up balance to be recovered over two years (2018 and 2019). The appropriate total fuel adjustment true-up amount to be collected from January 2019 to December 2019 is a \$148,450,915 under-recovery, which includes the second half of recovery approved in DEF's 2017 Settlement. (Menendez)

ISSUE 11: What are the appropriate projected total fuel and purchased power cost recovery amounts for the period January 2019 through December 2019?

DEF: \$1,412,413,746. (Menendez)

COMPANY-SPECIFIC GENERATING PERFORMANCE INCENTIVE FACTOR ISSUES

Duke Energy Florida, LLC

No company-specific GPIF issues for Duke Energy Florida, LLC have been identified at this time. If such issues are identified, they shall be numbered 12A, 12B, 12C, and so forth, as appropriate.

Florida Power & Light, Co.

No company-specific GPIF issues for Florida Power and Light Company have been identified at this time. If such issues are identified, they shall be numbered 13A, 13B, 13C, and so forth, as appropriate.

Gulf Power Company

No company-specific GPIF issues for Gulf Power Company have been identified at this time. If such issues are identified, they shall be numbered 14A, 14B, 14C, and so forth, as appropriate.

Tampa Electric Company

ISSUE 15A: What adjustments, if any, should be made to correct Tampa Electric's calculations of its GPIF rewards or penalties for the years 2014, 2015, and 2016?

DEF: No position.

ISSUE 15B: Should the Commission approve Tampa Electric's proposed corrections to its GPIF 2017 and 2018 targets?

DEF: No position.

GENERIC GENERATING PERFORMANCE INCENTIVE FACTOR ISSUES

ISSUE 16: What is the appropriate generation performance incentive factor (GPIF) reward or penalty for performance achieved during the period January 2017 through December 2017 for each investor-owned electric utility subject to the GPIF?

DEF: \$2,301,526 penalty. (Jones)

ISSUE 17: What should the GPIF targets/ranges be for the period January 2019 through December 2019 for each investor-owned electric utility subject to the GPIF?

DEF: The appropriate targets and ranges are shown on Page 4 of Exhibit MJJ-1P filed on August 24, 2018 with the Direct Testimony of Matthew J. Jones. (Jones)

FUEL FACTOR CALCULATION ISSUES

ISSUE 18: What are the appropriate projected net fuel and purchased power cost recovery and Generating Performance Incentive amounts to be included in the recovery factor for the period January 2019 through December 2019?

DEF: \$1,559,686,958. (Menendez)

ISSUE 19: What is the appropriate revenue tax factor to be applied in calculating each investor-owned electric utility's levelized fuel factor for the projection period January 2019 through December 2019?

DEF: 1.00072. (Menendez)

ISSUE 20: What are the appropriate levelized fuel cost recovery factors for the period January 2019 through December 2019?

DEF: 3.969 cents/kWh (adjusted for jurisdictional losses). (Menendez)

ISSUE 21: What are the appropriate fuel recovery line loss multipliers to be used in calculating the fuel cost recovery factors charged to each rate class/delivery voltage level class?

DEF:

<u>Group</u>	<u>Delivery Voltage Level</u>	<u>Line Loss Multiplier</u>
A.	Transmission	0.9800
B.	Distribution Primary	0.9900
C.	Distribution Secondary	1.0000
D.	Lighting Service	1.0000

(Menendez)

ISSUE 22: What are the appropriate fuel cost recovery factors for each rate class/delivery voltage level class adjusted for line losses?

DEF:

Fuel Cost Factors (cents/kWh)						
					Time of Use	
Group	Delivery Voltage Level	First Tier Factor	Second Tier Factors	Levelized Factors	On-Peak	Off-Peak
A	Transmission	--	--	3.895	4.857	3.470
B	Distribution Primary	--	--	3.934	4.906	3.505
C	Distribution Secondary	3.698	4.698	3.974	4.956	3.541
D	Lighting Secondary	--	--	3.805	--	--

COMPANY-SPECIFIC CAPACITY COST RECOVERY FACTOR ISSUES

Duke Energy Florida, LLC

ISSUE 23A: What amount has DEF included in the capacity cost recovery clause for nuclear cost recovery as authorized by Docket No. 20180009-EI?

DEF: Yes, DEF included \$43,858,854 for the Crystal River 3 Uprate project, which was approved by the Commission by a bench vote on August 7, 2018. (Menendez)

Florida Power & Light Company

ISSUE 24A: Has FPL included in the capacity cost recovery clause the nuclear cost recovery amount, if any, ordered by the Commission in Docket No. 20180009-EI?

DEF: No position.

ISSUE 24B: Has FPL properly reflected in the capacity cost recovery clause the effects of the St. John's River Power Park transaction approved by Order No. PSC-2017-0415-AS-EI?

DEF: No position.

ISSUE 24C: What are the appropriate Indiantown non-fuel base revenue requirements to be recovered through the Capacity Clause pursuant to the Commission's approval of the Indiantown transaction in Docket No. 160154-EI for 2018 and 2019?

DEF: No position.

ISSUE 24D: What is the appropriate true-up adjustment amount associated with the 2017 SOBRA projects approved by Order No. PSC-2018-0028-FOF-EI to be refunded through the capacity clause in 2019?

DEF: No position.

ISSUE 24E: What is the appropriate true-up amount associated with the 2018 SOBRA projects approved by Order No. PSC-2018-0028-FOF-EI to be refunded through the capacity clause in 2019?

DEF: No position.

Gulf Power Company

No company-specific capacity cost recovery factor issues for Gulf Power Company have been identified at this time. If such issues are identified, they shall be numbered 25A, 25B, 25C, and so forth, as appropriate.

Tampa Electric Company

No company-specific capacity cost recovery factor issues for Tampa Electric Company have been identified at this time. If such issues are identified, they shall be numbered 26A, 26B, 26C, and so forth, as appropriate.

GENERIC CAPACITY COST RECOVERY FACTOR ISSUES

ISSUE 27: What are the appropriate final capacity cost recovery adjustment true-up amounts for the period January 2017 through December 2017?

DEF: \$346,154 over-recovery. (Menendez)

ISSUE 28: What are the appropriate capacity cost recovery actual/estimated true-up amounts for the period January 2018 through December 2018?

DEF: \$16,264,319 over-recovery. (Menendez)

ISSUE 29: What are the appropriate total capacity cost recovery true-up amounts to be collected/refunded during the period January 2019 through December 2019?

DEF: \$16,610,473 over-recovery. (Menendez)

ISSUE 30: What are the appropriate projected total capacity cost recovery amounts for the period January 2019 through December 2019?

DEF: \$395,724,869. (Menendez)

ISSUE 31: What are the appropriate projected net purchased power capacity cost recovery amounts to be included in the recovery factor for the period January 2019 through December 2019?

DEF: The appropriate projected net purchased power capacity cost recovery amount, including ISFSI and excluding nuclear cost recovery, is \$386,277,493. The appropriate nuclear cost recovery amount is that which is approved in Issue 23A. (Menendez)

ISSUE 32: What are the appropriate jurisdictional separation factors for capacity revenues and costs to be included in the recovery factor for the period January 2019 through December 2019?

DEF: Base – 92.885%, Intermediate – 72.703%, Peaking – 95.924%, consistent with the 2017 Settlement approved in Order No. PSC-2017-0451-AS-EU. (Menendez)

ISSUE 33: What are the appropriate capacity cost recovery factors for the period January 2019 through December 2019?

DEF: The capacity recovery factors for the period January 2019 through December 2019 are as follows:

<u>Rate Class</u>	<u>CCR Factor</u>
Residential	1.248 cents/kWh
General Service Non-Demand	1.192 cents/kWh
@ Primary Voltage	1.180 cents/kWh
@ Transmission Voltage	1.168 cents/kWh
General Service 100% Load Factor	0.718 cents/kWh
General Service Demand	3.72 \$/kW-month
@ Primary Voltage	3.68 \$/kW-month
@ Transmission Voltage	3.65 \$/kW-month
Curtaillable	1.47 \$/kW-month
@ Primary Voltage	1.46 \$/kW-month
@ Transmission Voltage	1.44 \$/kW-month
Interruptible	3.00 \$/kW-month
@ Primary Voltage	2.97 \$/kW-month
@ Transmission Voltage	2.94 \$/kW-month
Standby Monthly	0.360 \$/kW-month
@ Primary Voltage	0.356 \$/kW-month
@ Transmission Voltage	0.353 \$/kW-month
Standby Daily	0.171 \$/kW-month
@ Primary Voltage	0.169 \$/kW-month
@ Transmission Voltage	0.168 \$/kW-month
Lighting	0.154 cents/kWh

(Menendez)

EFFECTIVE DATE

ISSUE 34: What should be the effective date of the fuel adjustment factors and capacity cost recovery factors for billing purposes?

DEF: The new factors should be effective beginning with the first billing cycle for January 2019 through the last billing cycle for December 2019. The first billing

cycle may start before January 1, 2019, and the last billing cycle may end after December 31, 2019, so long as each customer is billed for twelve months regardless of when the factors became effective. (Menendez)

ISSUE 35: Should the Commission approve revised tariffs reflecting the fuel adjustment factors and capacity cost recovery factors determined to be appropriate in this proceeding?

DEF: Yes. The Commission should approve revised tariffs reflecting the fuel adjustment factors and capacity cost recovery factors determined to be appropriate in this proceeding. The Commission should direct Staff to verify that the revised tariffs are consistent with the Commission decision. (Menendez)

ISSUE 36: Should this docket be closed?

DEF: Yes. (Menendez)

CONTESTED ISSUES

FLORIDA INDUSTRIAL POWER USERS GROUP

ISSUE A: Are FPL's proposed solar projects prudent?

DEF: No position.

ISSUE B: Are FPL's proposed solar projects needed?

DEF: No position.

5. **Stipulated Issues** - None at this time.

6. **Pending Motions** - DEF does not have any pending motions at this time.

7. **Requests for Confidentiality**

DEF has the following pending requests for confidential classification:

- September 20, 2018-Hedging Audit Workpapers-ACN 2018-058-2-1 (DN 06164-2018).
- October 1, 2018-DEF's Request for Extension of Confidential Classification

concerning portions of DEF's Response to Staff's 1st Set of Interrogatories , specifically questions 1, 3, 4 (DN 06324-2018)

- October 1, 2018-DEF's Request for Extension of Confidential Classification concerning Exhibit CAM-2T and CAM-3T to the direct testimony of Christopher A. Menendez, filed on March 1, 2017 (DN 06332-2018).

8. **Objections to Qualifications** - DEF has no objection to the qualifications of any expert witnesses in this proceeding at this time, subject to further discovery in this matter.
9. **Sequestration of Witnesses** - DEF has not identified any witnesses for sequestration at this time.
10. **Requirements of Order** - At this time, DEF is unaware of any requirements of the Order Establishing Procedure and Order revising Order Establishing Procedure of which it will be unable to comply.

RESPECTFULLY SUBMITTED this 2nd day of October, 2018.

s/Matthew R. Bernier

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Duke Energy Florida
CERTIFICATE OF SERVICE
Docket No. 20180001-EI

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished via email this 2nd day of October, 2018 to all parties of record as indicated below.

s/Matthew R. Bernier

Attorney

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