Matthew R. Bernier
ASSOCIATE GENERAL COUNSEL

April 8, 2020

VIA ELECTRONIC FILING

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

Re: *Fuel and Purchased Power Clause with Generating Performance Incentive Factor*; Docket No. 20200001-EI

Dear Mr. Teitzman:

Please find enclosed for electronic filing Duke Energy Florida, LLC's Response to Staff's First Data Request (Nos. 1-13).

Thank you for your assistance in this matter. Please feel free to call me at (850) 521-1428 should you have any questions concerning this filing.

Sincerely,

/s/ Matthew R. Bernier

Matthew R. Bernier

MRB/cmk
Enclosure

106 East College Avenue, Suite 800 ▪ Tallahassee, Florida 32301
Phone: 850.521.1428 ▪ Fax: 727.820.5041 ▪ Email: matthew.bernier@duke-energy.com

CERTIFICATE OF SERVICE – *Docket No. 20200001-EI*

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished via electronic mail to the following this 8th day of April, 2020.

/s/ Matthew R. Bernier
Attorney

Suzanne Brownless Office of General Counsel FL Public Service Commission 2540 Shumard Oak Blvd. Tallahassee, FL 32399-0850 sbrownle@psc.state.fl.us J. Beasley / J. Wahlen / M. Means Ausley McMullen P.O. Box 391 Tallahassee, FL 32302 jbeasley@ausley.com jwahlen@ausley.com mmeans@ausley.com Russell A. Badders Gulf Power Company One Energy Place, Bin 100 Pensacola, FL 32520-0100 russell.badders@nexteraenergy.com Kenneth A. Hoffman Florida Power & Light Company 134 W. Jefferson Street Tallahassee, FL 32301-1713 ken.hoffman@fpl.com Jon C. Moyle, Jr. Moyle Law Firm, P.A. 118 North Gadsden Street Tallahassee, FL 32301 jmoyle@moylelaw.com mqualls@moylelaw.com	J.R. Kelly / T. David Office of Public Counsel 111 W. Madison St., Room 812 Tallahassee, FL 32399-1400 kelly.jr@leg.state fl.us david.tad@leg.state.fl.us Paula K. Brown Regulatory Affairs Tampa Electric Company P.O. Box 111 Tampa, FL 33601-0111 regdept@tecoenergy.com Maria Moncada / David Lee Florida Power & Light Company 700 Universe Blvd. (LAW/JB) Juno Beach, FL 33408-0420 maria moncada@fpl.com david.lee@fpl.com James Brew / Laura W. Baker Stone Law Firm 1025 Thomas Jefferson St., N.W. Suite 800 West Washington, DC 20007 jbrew@smxblaw.com lwb@smxblaw.com Mike Cassel Florida Public Utilities Company 208 Wildlight Avenue Yulee, FL 32097 mcassel@fpuc.com Beth Keating Gunster, Yoakley & Stewart, P.A. 215 South Monroe Street, Suite 601 Tallahassee, FL 32301 bkeating@gunster.com

106 East College Avenue, Suite 800 ▪ Tallahassee, Florida 32301
Phone: 850.521.1428 ▪ Fax: 727.820.5041 ▪ Email: matthew.bernier@duke-energy.com

DUKE ENERGY FLORIDA, LLC'S (DEF), RESPONSE TO STAFF'S FIRST DATA REQUEST (NOS. 1-13) REGARDING FUEL AND PURCHASED POWER CLAUSE WITH GENERATING PERFORMANCE INCENTIVE FACTOR

Docket No. 20200001-EI

1. Please refer to page 3, paragraph 7, of the Petition.

   a. Please confirm the system average delivered natural gas cost per MMBtu that is embedded in the Company's currently-approved fuel factor is $2.63.[1] Please also discuss how the Company's currently-approved fuel recovery charge, per MMBtu, compares to the projected figure provided in DEF's response to Staff's Supplemental Data Request No. 1, Question No. 72, for the year 2020, in staff's review of the Company's 2019 TYSP.

   b. What is the Company's most-current estimate of its mid-course correction position, in percentage terms, using the methodology contained in Rule 25-6.0424, Florida.

   c. Administrative Code (F.A.C.) Please specify both the numerator and denominator used in calculating this projected "mid-course correction percentage." Please also discuss the derivation of both figures used in the calculation.

RESPONSE:

   a. The average delivered natural gas price in DEF's 2020 Fuel and Purchase Power Cost Recovery Filing used to set currently approved fuel factors is $4.06/MMBtu as shown on Exhibit CAM-3, Schedule E3, page 2 of 2, line 33, filed on September 3, 2019 in Docket No. 20190001-EI. The $4.06 includes both commodity and transportation costs, fixed and variable, of natural gas. The $2.63/MMBtu shown on Exhibit CAM-3, Projected Market Price by Fuel Type, is an average projected 2020 natural gas commodity costs only; it excludes transportation costs.

   The natural gas price projections shown in DEF's response to Supplemental Data Request No. 1 Question 72, ($2.79 for 2020), represent the incremental price of gas burned including variable transportation costs, but do not include fixed transportation costs. Another part of the difference is in the timing of the fuel forecasts. In preparation for the 2019 Ten-Year Site Plan, the fuel forecast used a NYMEX closing date in September of 2018.

   b. 6.1%

   c. The formula below is used to calculate the midcourse correction over-recovery percentage. The numerator of $78,231,75 is the Total True-Up Balance on Exhibit A, Schedule E1-B,

[1] Order No. PSC-2019-0484-FOF-EI, Issued November 18, 2019, in Docket No. 20190001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor*.

Page 2 of 2, C, line 13. The denominator of $1,285,089,908 is the Fuel Revenue Applicable to the Period on Exhibit A, Schedule E1-B, Page 2 of 2, C, line 3. This calculation is consistent with the methodology in Order No. 13694.

$78,231,785 / $1,285,089,908 = 6.1%

2. Has the Company revised any planned power purchases due to possible updated pricing and availability of market power purchases? If so, please discuss.

RESPONSE:

DEF has not revised any of its planned power purchases. DEF will continue to utilize power purchases when needed to economically and reliably support the needs of the system.

3. Please briefly discuss how this petition affects the Company's non-residential classes of service. Are there "typical" levels of credit these rate classes should expect to receive?

RESPONSE:

There will be a decrease in May 2020 bills for non-residential classes of service. Typical reductions will range from approximately 20-32% for commercial customers and approximately 25-45% for industrial customers.

4. Please describe any Company efforts in notifying its customers of the proposed action it has requested through its Petition. Please also provide copies of any notifications that were previously or will be sent to customers regarding the actions requested in the Petition.

RESPONSE:

On April 2, 2020, DEF issued a press release that was posted on its external website and shared on social media such as Facebook and Twitter. DEF also plans to send emails to customers in the upcoming weeks. In addition, as stated in its Emergency Petition for a Temporary Midcourse Correction, DEF will explain its proposed billing changes in a bill insert included with customer May bills.

Press Release
(Distributed to Florida Media Outlets)
https://news.duke-energy.com/releases/duke-energy-florida-takes-action-to-reduce-residential-customer-bills-by-nearly-21-in-may-during-the-covid-19-pandemic

https://news.duke-energy.com/releases/duke-energy-florida-toma-medidas-para-reducir-en-casi-un-21-el-monto-de-las-facturas-residenciales-de-mayo-durante-la-pandemia-de-covid-19

Duke Energy Website
https://news.duke-energy.com/releases/duke-energy-florida-takes-action-to-reduce-residential-customer-bills-by-nearly-21-in-may-during-the-covid-19-pandemic

https://news.duke-energy.com/releases/duke-energy-florida-takes-action-to-reduce-residential-customer-bills-by-nearly-21-in-may-during-the-covid-19-pandemic

Social Media
Facebook
https://www.facebook.com/702317053131576/posts/3634905393206046/?d=n&substory_index=0

Twitter
https://twitter.com/DukeEnergy/status/1245785212770029568?s=20

5. Please specify the exact range/beginning and ending dates of DEF's May 2020 billing cycle.

RESPONSE:

The May 2020 billing cycle begins on April 29, 2020 and ends May 28, 2020.

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

RESPONSE:

DEF does not plan to institute any different processes related to fuel cost/revenue forecasting. As discussed in DEF's petition, DEF's projected 2020 fuel over-recovery has not and is not projected to reach the 10% Midcourse Threshold. The Company determined it was appropriate to file for the extraordinary relief requested to help customers during the current COVID-19 national emergency.

7. Please identify the sources and dates of DEF's underlying fuel price forecast used in support of its currently-approved system fuel factor.[2] Please also remark on how this fuel forecast informs the Company when formulating fuel cost expectations/projection testimony filed in an annual fuel cost recovery proceeding.

RESPONSE:

DEF's fuel price forecast supporting the currently-approved system fuel factor was developed using observable commodity forward market price curves as of a Close of Business date of June 14, 2019. The fuel price forecast was developed using the methodology described in response to Question 9.

DEF will use an updated forecast to develop its 2021 factors filed in the annual fuel cost recovery proceeding, consistent with DEF's typical Fuel Projection Filing process. The forecast used for the midcourse will impact the true-up balance incorporated into that filing.

8. Please clarify whether the one-time refund will be shown as a separate line item on customers' bills or as a reduction in the fuel factor.

RESPONSE:

[2] *Id.*

The one-time refund will be shown as a reduction in the fuel factor.

9. Please discuss DEF's fuel forecasting methodology. Please also remark on the approximate length of time the Company has employed this same or very similar fuel forecasting methodology for business planning purposes.

RESPONSE:

DEF's fuel price forecasting methodology utilizes known observable market prices for the applicable forward periods that are selected as of a specific Close of Business date. DEF obtains its forward market price curves from industry recognized third-party forward market source providers for natural gas, fuel oil and coal. The underlying natural gas commodity prices in the forecast include: market observed forward curves for the NYMEX Henry Hub futures and the applicable physical locational basis for locations such as FGT Zones 1, 2 and 3. Additionally, DEF incorporates costs for natural gas firm interstate transportation, Local Distribution Company redelivery and storage agreements. The fuel oil price forecast is based on a Gulf Coast market forward price curve and includes adjustments for transportation costs to the applicable facilities. The delivered coal price is based on contract coal supply prices with additions for transportation and storage costs to deliver the coal to the destination facilities. DEF has employed this same overall approach for more than ten years.

10. Please identify the date, if known, of DEF's next/updated fuel price forecast that will be used for business planning purposes.

RESPONSE:

DEF' next fuel price forecast for business planning purposes is currently expected by early May 2020.

11. Does DEF compare its fuel price forecast to any other publicly available source of forecasted fuel prices, such as the Energy Information Administration? If so, please discuss the results of any analysis performed.

RESPONSE:

As outlined in the response to Question 9, DEF utilizes known and observed market prices at the time the forecast is produced for use in its periodic fuel and operations forecast. DEF has not performed any specific comparative analyses; however, the Company does review other public forecasts, such as, but not limited to, those from the Energy Information Administration, as well as information from various suppliers and providers over time with respect to supply and demand fundamentals and prices.

12. Did DEF perform a sensitivity analysis of its fuel price forecast for the purposes of determining the validity of its expected annual fuel cost? If the response is negative, please explain why the Company did not perform such an analysis.

RESPONSE:

A sensitivity analysis of the forecasted fuel price was not performed and is not necessary to determine the validity of the expected annual fuel cost. By using known and observed market prices at the time the forecast is produced in addition to reviewing other public forecasts, as described in DEF's responses to Questions 9 and 11, DEF is using the best available information in developing its fuel forecasts.

13. Please provide the percent error in DEF's delivered natural gas price forecasts out 3 to 5 years for 2017 through 2019, using the data found in the Company's Ten-Year Site Plans, by populating the following tables:

Natural Gas Price Forecasts

Year	Natural Gas Price Annual Forecast ($/MMBtu)		
	Years Prior		
	5	4	3
2017			
2018			
2019			
Average			

Accuracy of Natural Gas Price Forecasts

Year	Natural Gas Price Annual Forecast Error Rate (%)		
	Years Prior		
	5	4	3
2017			
2018			
2019			
Average			

Natural Gas Price Actuals

Year	Actual Natural Gas Price ($/MMBtu)
2017	
2018	
2019	

RESPONSE:

	Natural Gas Price Forecasts		
Year	Natural Gas Price Annual Forecast ($/MMbtu)		
	Years Prior		
	5	4	3
2017	6.03	5.56	5.23
2018	5.89	5.73	4.62
2019	6.01	5.29	3.95
Average	5.97	5.53	4.60

	Accuracy of Natural Gas Price Forecast		
Year	Natural Gas Price Annual Forecast Error Rate		
	Years Prior		
	5	4	3
2017	41%	31%	23%
2018	30%	27%	2%
2019	53%	35%	1%
Average	42%	31%	8%

	Natural Gas Price		
Year	Natural Gas Price Annual Actuals ($/MMbtu)		
	Years Prior		
	5	4	3
2017	4.26	4.26	4.26
2018	4.52	4.52	4.52
2019	3.93	3.93	3.93
Average	4.24	4.24	4.24

Forecasts made in 2012 - 2015 underestimated the impact of the then new fracking technology for natural gas extraction. Actual prices for delivered gas in 2008 were above $10/MMbtu and in some periods above $12/MMbtu. It took several years for forecast trends to fully encompass the impacts of these new market dynamics in long term forecasts. Thus, DEF, its consultants at the time, EIA, and most industry participants forecasted a higher price of gas during that period. As seen in these tables, the gap narrowed significantly over this period as forecasts assimilated the long-term effects of changes in technology and market structure.

The historic actual prices in this table are reported as the full costs of the delivered natural gas including the commodity price and both fixed and variable transportation costs. Projected prices represent the incremental cost of gas consumption and include the commodity price and the variable transportation costs. This value is used for production cost planning and portfolio evaluation purposes.