

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Fuel and purchased power cost recovery clause with generating performance incentive factor.	DOCKET NO. 20200001-EI
	DATED: October 6, 2020

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 2021 through December 2021:

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

Direct		
Witness	Subject Matter	Issues#
Christopher A. Menendez	Fuel Cost Recovery True-Up (2019); Capacity Cost Recovery True-Up (2019); Actual / Estimated and Projection Schedules; Other Matters	6-11, 18-23(A-D) and 27-36
Mary Ingle Lewter	Calculation of GPIF Reward for (2019); GPIF Targets/Ranges (2021)	16 and 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. 2019)
Christopher Menendez	DEF	(CAM-2T)	Capacity Cost Recovery True-Up (Jan – Dec. 2019)

Christopher Menendez	DEF	(CAM-3T)	Schedules A1 through A3, A6 and A12 for Dec 2019
Christopher Menendez	DEF	(CAM-4T)	2019 Capital Structure and Cost Rates Applied to Capital Projects
Christopher Menendez	DEF	(CAM-2)	Actual/Estimated True-up Schedules for period January – December 2020
Christopher Menendez	DEF	(CAM-3)	Projection Factors for January - December 2021
James McClay	DEF		Hedging True-Up August - December 2019-
James McClay	DEF		Cover Letter re: Supplemental Hedging Activity Report (January – July 2020) –
Mary Ingle Lewter	DEF	(MIL-1P)	Calculation of GPIF Reward for January - December 2019
Mary Ingle Lewter	DEF	(MIL-1P)	GPIF Targets/Ranges Schedules for January – December 2021

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

Contested Issue A listed below will be placed here if included in the docket by the prehearing officer.

Florida Power & Light, Co.

ISSUE 2A: 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 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 2019 through December 2019, 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 2019 through December 2019?

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 2019 through December 2019?

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 2019 through December 2019?

DEF: No position.

ISSUE 2F: Has FPL made reasonable and prudent adjustments, if any are needed, to account for replacement power costs associated with the April 2019 forced outage at St. Lucie Nuclear Power Plant, Unit No. 1?

DEF: No position.

ISSUE 2G: Has FPL made reasonable and prudent adjustments, if any are needed, to account for replacement power costs associated with the March 2020 return-to-service delay at St. Lucie Nuclear Power Plant, Unit No. 2?

DEF: No position.

ISSUE 2H: What is the appropriate subscription credit associated with FPL's Solar Together Program, approved by Order No. PSC-2020-0084-S-EI, to be included for recovery in 2021?

DEF: No position.

Florida Public Utilities Company

ISSUE 3A: Should the Commission approve FPUC's revised Fuel and Purchased Power Cost Recovery factors filed in accordance with the Stipulation and Settlement approved in Docket No. 20190156-EI, which reflect the flow-through of interim rate over-recovery calculated based on 9 months actual and 1 month estimated revenues?

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 2020 hedging report?

DEF: No position.

Tampa Electric Company

ISSUE 5A: What was the total gain under TECO's Optimization Mechanism approved by Order No. PSC-2017-0456-S-EI that TECO may recover for the period January 2019 through December 2019, and how should that gain to be shared between TECO and customers?

DEF: No position.

GENERIC FUEL ADJUSTMENT ISSUES

ISSUE 6: What are the appropriate actual benchmark levels for calendar year 2020 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

DEF: \$1,602,141. (Menendez)

ISSUE 7: What are the appropriate estimated benchmark levels for calendar year 2021 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

DEF: \$1,682,538. (Menendez)

ISSUE 8: What are the appropriate final fuel adjustment true-up amounts for the period January 2019 through December 2019?

DEF: \$21,535,230 under-recovery, which was collected as part of DEF's Fuel Midcourse approved in Order No. PSC-2020-0154-PSC-EI. (Menendez)

ISSUE 9: What are the appropriate fuel adjustment actual/estimated true-up amounts for the period January 2020 through December 2020?

DEF: \$160,850,438 over-recovery. (Menendez)

ISSUE 10: What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January 2021 through December 2021?

DEF: \$61,083,424 over-recovery. (Menendez)

ISSUE 11: What are the appropriate projected total fuel and purchased power cost recovery amounts for the period January 2021 through December 2021?

DEF: \$1,279,043,741, which is adjusted for line losses and excludes prior period true-up amounts, revenue taxes and GPIF amounts. (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

No company-specific GPIF issues for Tampa Electric Company have been identified at this time. If such issues are identified, they shall be numbered 15A, 15B, 15C, and so forth, as appropriate.

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 2019 through December 2019 for each investor-owned electric utility subject to the GPIF?

DEF: For DEF, a \$4,407,712 reward. (Lewter)

ISSUE 17: What should the GPIF targets/ranges be for the period January 2021 through December 2021 for each investor-owned electric utility subject to the GPIF??

DEF: For DEF, the appropriate targets and ranges are shown on Page 4 of Exhibit MIL-1P filed on September 3, 2020 with the Direct Testimony of Mary Ingle Lewter. (Lewter)

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 2021 through December 2021?

DEF: \$1,223,244,961 (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 2021 through December 2021?

DEF: 1.00072 (Menendez)

ISSUE 20: What are the appropriate levelized fuel cost recovery factors for the period January 2021 through December 2021?

DEF: 3.090 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)						
Group	Delivery Voltage Level	First Tier Factor	Second Tier Factors	Levelized Factors	Time of Use	
					On-Peak	Off-Peak
A	Transmission	--	--	3.032	3.793	2.689
B	Distribution Primary	--	--	3.063	3.832	2.717
C	Distribution Secondary	2.811	3.811	3.094	3.871	2.744
D	Lighting Secondary	--	--	2.955	--	--

II. CAPACITY ISSUES

COMPANY-SPECIFIC CAPACITY COST RECOVERY FACTOR ISSUES

Duke Energy Florida, LLC

ISSUE 23A: What is the appropriate net book value of retired Plant Crystal River South (Units 1 and 2) assets to be recovered over a one-year period as approved by Order No. PSC-2017-0451-AS-EU?

DEF: The estimated CR1&2 net book value of retired assets recovered over a one-year period in 2021 is \$80,592,431; the final CR1&2 net book value will be included in DEF's 2020 Final True-Up filing. (Menendez)

ISSUE 23B: What is the appropriate amount of costs for the Independent Spent Fuel Storage Installation ("ISFSI") that DEF should be allowed to recover through the capacity cost recovery clause pursuant to DEFs 2017 Settlement?

DEF: \$6,879,837 (Menendez)

ISSUE 23C: Should the Commission approve the Third Implementation Stipulation and, if approved, what is the amount state income tax savings that should be refunded to customers through the capacity clause in 2021?

DEF: Yes, the Commission should approve the Third Implementation Stipulation and \$8,379,919 of income tax savings refunded to customers through the capacity clause in 2021. (Menendez)

ISSUE 23D: What adjustment amounts should the Commission approve to be refunded through the capacity clause in 2021 for the Columbia SoBRA I project approved in Docket No. 20180149-EI and the DeBary, Lake Placid, and Trenton SoBRA II projects approved in Docket No. 20190072-EI?

DEF: \$1,023,015 (Menendez)

Florida Power & Light Company

ISSUE 24A: What is the appropriate true-up adjustment amount associated with the 2018 SOBRA projects approved by Order No. PSC-2018-0028-FOF-EI to be refunded through the capacity clause in 2021?

DEF: No position.

ISSUE 24B: 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 (Order No. PSC-16-0506-FOF-EI) for 2021?

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 true-up amounts for the period January 2019 through December 2019?

DEF: \$797,779 under-recovery (Menendez)

ISSUE 28: What are the appropriate capacity cost recovery actual/estimated true-up amounts for the period January 2020 through December 2020?

DEF: \$334,694 over-recovery (Menendez)

ISSUE 29: What are the appropriate total capacity cost recovery true-up amounts to be collected/refunded during the period January 2021 through December 2021?

DEF: \$463,084 under-recovery (Menendez)

ISSUE 30: What are the appropriate projected total capacity cost recovery amounts for the period January 2021 through December 2021?

DEF: \$479,983,370 (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 2021 through December 2021?

DEF: \$487,677,167 (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 2021 through December 2021?

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

ISSUE 33: What are the appropriate capacity cost recovery factors for the period January 2021 through December 2021?

DEF:	<u>Rate Class</u>	<u>CCR Factor</u>
	Residential	1.405 cents/kWh
	General Service Non-Demand	1.342 cents/kWh
	@ Primary Voltage	1.329 cents/kWh
	@ Transmission Voltage	1.315 cents/kWh
	General Service 100% Load Factor	0.808 cents/kWh
	General Service Demand	4.20 \$/kW-month
	@ Primary Voltage	4.16 \$/kW-month
	@ Transmission Voltage	4.12 \$/kW-month
	Curtaillable	1.22 \$/kW-month
	@ Primary Voltage	1.21 \$/kW-month
	@ Transmission Voltage	1.20 \$/kW-month
	Interruptible	3.50 \$/kW-month
	@ Primary Voltage	3.47 \$/kW-month
	@ Transmission Voltage	3.43 \$/kW-month
	Standby Monthly	0.404 \$/kW-month
	@ Primary Voltage	0.400 \$/kW-month
	@ Transmission Voltage	0.396 \$/kW-month
	Standby Daily	0.192 \$/kW-month
	@ Primary Voltage	0.190 \$/kW-month
	@ Transmission Voltage	0.188 \$/kW-month
	Lighting	0.172 cents/kWh

(Menendez)

III. 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 2021 through the last billing cycle for December 2021. The first billing cycle may start before January 1, 2021, and the last billing cycle may end after December 31, 2021, 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)

MISCELLANEOUS ISSUES

ISSUE 36: Should this docket be closed?

DEF: Yes (Menendez)

CONTESTED ISSUES

ISSUE A: What action should be taken in response to the Commission's September 1, 2020 vote to approve, without modification, Judge Stevenson's Recommended Order dated April 27, 2020, regarding the Bartow Unit 4 February 2017 outage?

DEF:

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

6. **Pending Motions** - None at this time.

7. **Requests for Confidentiality**

DEF has the following pending requests for confidential classification:

- January 30, 2020 – DEF's Request for Confidential Classification of late-filed exhibits to deposition of Messrs, Swartz, Toms and Salvarezza, held on August 30, 2019; specifically, late-filed Exh 6, bearing Bates Nos. DEF-19FL-FUEL-013796 through DEF-19FL-FUEL-013817, and late-filed Exh 7, bearing Bates Nos. DEF-19FL-FUEL-013517 through DEF-19FL-FUEL-013551 (DN 00223-2020), previously provided to staff pursuant to notice of intent. (DN 00672-2020).
- February 17, 2020 – DEF's Request for Confidential Classification for certain information provided to Staff for DEF's Response to OPC's Fourth Request to Produce

(Nos. 34-39), specifically question 36 (DN 00928-2020).

- February 19, 2020 – DEF’s First request for extension of confidential classification of [DN 05233-2018] Duke Energy's supplemental hedging report for the period 1/18-7/18 to the direct testimony of James McClay (DN 00998-2020).
- April 9, 2020 – DEF’s Request for Confidential Classification for certain information contained in DEF, OPC, FIPUG, PCS Phosphate and Staff’s Proposed Recommended Orders (DN 01877-2020).
- April 15, 2020 – DEF’s Request for extension of confidential classification [of DN 06152-2018, certain information contained in staff’s audit work papers pertaining to 2018 hedging activities audit workpapers (Audit Control No. 2018-058-2-1)] (DN 01988-2020).
- May 18, 2020 – DEF’s Request for Confidential Classification filed in connection with certain information provided in the 2020 Recommended Order from the State of Florida Division of Administrative Hearings, where the final hearing was conducted on February 4-5, 2020 (DN 02631-2020).
- June 2, 2020 – DEF’s Request for Confidential Classification filed in connection with certain information provided in DEF’s Exceptions to the Administrative Law Judge’s (“ALJ”) Recommended Order dated April 27, 2020 (DN 02887-2020).
- June 11, 2020 – DEF’s Request for Confidential Classification filed in connection with certain information provided in the Office Of Public Counsel, PCS Phosphate – White Springs, and The Florida Industrial Power Users Group Joint Response To DEF’s Exceptions to the Administrative Law Judge’s (“ALJ”) Recommended Order dated April 27, 2020 (DN 03055-2020).
- June 19, 2020 – DEF’s Request for Extension of Confidential Classification concerning certain information contained in its response to OPC's Second Set of Interrogatories (Nos. 11-14) (DN - 03185-2020).
- August 14, 2020 – DEF’s Request for Confidential Classification of certain information provided in the Staff of the Florida Public Service Commission’s Recommended Order for the final hearing held on February 4 and 5, 2020 (DN 04447-2020).

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 of which it will be unable to comply.

RESPECTFULLY SUBMITTED this 6th day of October, 2020.

s/Matthew R. Bernier

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CERTIFICATE OF SERVICE

Docket No. 20200001-EI

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished via email this 6th day of October, 2020 to all parties of record as indicated below.

s/Matthew R. Bernier

Attorney

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