Dianne M. Triplett
Deputy General Counsel

October 17, 2022

VIA ELECTRONIC FILING

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

Re: *Duke Energy Florida, LLC's Petition for Limited Proceeding to Approve Rate Reductions Associated With The Inflation Act of 2022*; Docket No. ________________

Dear Mr. Teitzman:

Enclosed for filing on behalf of Duke Energy Florida, LLC ("DEF") is DEF's Petition for Limited Proceeding to Approve Rate Reductions Associated With The Inflation Act of 2022, along with the following:

- Direct Testimony of Marcia J. Olivier with Exhibit No. MJO-1, Exhibit No. MJO-2, Exhibit No. MJO-3, and Exhibit No. MJO-4; and
- Direct Testimony of John Panizza.

Thank you for your assistance in this matter. Please feel free to call me at (727) 820-4692 should you have any questions concerning this filing.

Sincerely,

s/ Dianne M. Triplett

Dianne M. Triplett

DMT/mw
Enclosures

299 First Avenue North (33701) ▪ St. Petersburg, Florida
Phone: 727.820.4692 ▪ Fax: 727.820.5041 ▪ Email: dianne.triplett@duke-energy.com

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Duke Energy Florida, LLC for a limited proceeding to approve rate reductions associated with the Inflation Reduction Act of 2022	Docket No. __________-EI Filed: October 17, 2022

DUKE ENERGY FLORIDA, LLC'S
PETITION FOR A LIMITED PROCEEDING TO APPROVE RATE REDUCTIONS
ASSOCIATED WITH THE INFLATION REDUCTION ACT OF 2022

Duke Energy Florida, LLC ("DEF") pursuant to Sections 120.57, 366.076(1), and 366.06(3), Florida Statutes ("F.S.") and Rule 28-106.201, Florida Administrative Code ("F.A.C."), hereby petitions the Florida Public Service Commission ("FPSC" or the "Commission") for a limited proceeding to approve rate reductions, specifically a reduction of $56 million to customer base rates, associated with the Inflation Reduction Act of 2022, performed consistent with the 2021 Settlement Agreement ("2021 Settlement") approved by this Commission in Order Number PSC-2021-0202A-AS-EI.

In support of this Petition, DEF states:

1. DEF is a Florida limited liability company with headquarters at 299 1st Avenue North, St. Petersburg, Florida 33701. DEF is an investor-owned utility operating under the jurisdiction of this Commission pursuant to the provisions of Chapter 366, Florida Statutes, and is a wholly-owned subsidiary of Duke Energy Corporation. DEF provides generation, transmission, and distribution service to approximately 1.9 million retail customers in Florida.

2. Any pleading, motion, notice, order, or other document required to be served upon DEF or filed by any party to this proceeding should be served upon the following individuals:

Dianne M. Triplett
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3. This Petition is being filed consistent with Rule 28-106.201, Florida Administrative Code. The agency affected is the Florida Public Service Commission, located at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399. This case does not involve reversal or modification of an agency decision or an agency's proposed action. Therefore, subparagraph (c) and portions of subparagraphs (b), (e), (f), and (g) of subsection (2) of that rule are not applicable to this Petition. In compliance with subparagraph (d), DEF states that it is not known at this time which, if any, of the issues of material fact set forth in the body of this Petition may be disputed by any others who may plan to participate in this proceeding.

4. In support of this Petition, DEF is filing testimony and exhibits of Ms. Marcia J. Olivier and Mr. John R. Panizza contemporaneously with this Petition. Ms. Olivier explains and supports the Company's calculation of the tax impacts and the process for flowing back those tax impacts to customers. Mr. Panizza summarizes the key components of the Inflation Reduction Act and the provisions impacting the Company.

Tax Law Summary

5. On August 16, 2022, President Joseph Biden signed the Inflation Reduction Act ("IRA")[1] into Law. This legislation includes various provisions regarding energy and climate change, including some changes to corporate and international tax law. There are three potential impacts to DEF taxes as a result of the IRA, but only the first of these three potential impacts is known and calculable as of the filing of this Petition: (1) starting in 2022, changes to the production tax credits ("PTCs") associated with certain solar investments; (2) starting in 2023, potential application of a corporate alternative minimum tax; and (3) starting in 2023 changes to the treatment of investment tax credits ("ITCs") related to certain battery storage facilities.

6. The first potential impact relates to solar property. The IRA provides for PTCs, retroactive to January 1, 2022, for eligible solar facilities placed into service after December 31, 2021. ITCs are the default for solar property, while PTCs are taken on an elective basis. Because DEF expects PTCs to provide more value than ITCs, DEF will make an election in its tax returns to take PTCs. PTCs may be claimed for the first ten years of production, whereas ITCs are claimed in the year the facility is placed in service. Further, PTCs are not subject to IRS normalization rules. ITCs are subject to IRS normalization rules, are deferred to the balance sheet and are amortized to tax expense over the remaining life of the related assets beginning with the year in which they reduce taxes payable.

7. The next potential impact from the IRA relates to the corporate alternative minimum tax. The corporate alternative minimum tax ("CAMT") is effective for tax years beginning in 2023. It imposes a 15 percent minimum tax on adjusted financial statement income for corporations with profits in excess of $1 billion. Taxpayers may reduce adjusted financial

[1] Inflation Reduction Act of 2022, H.R. 5376, Public Law 117-169 (Aug. 16, 2022).

statement income by depreciation allowed as a deduction under section 167 with respect to property to which section 168 applies. Corporations would generally be eligible to claim net operating losses and tax credits against the CAMT and would be eligible to claim a tax credit against the regular corporate tax for CAMT paid in prior years, to the extent the regular tax liability in any year exceeds 15 percent of the corporation's adjusted financial statement income. Given the ability to claim net operating losses and tax credits, DEF is unable to determine whether it will be subject to the CAMT in tax 2023. This determination will be made sometime in 2023; once made, DEF will make the appropriate filings, if any, pursuant to the requirements of the 2021 Settlement Agreement.

8. The final relevant tax provision of the IRA relates to battery storage. Specifically, the IRA modified the ITC rules removing the requirement that battery storage be connected to generation property. In addition, the IRA includes an opt out of normalization provisions for battery storage ITCs. Normalization satisfies the "matching principle" because the ratepayers who pay for the expense receive the tax benefit associated with that expense regardless of when the tax benefit offsets taxes payable. The determination of ITC battery storage impacts will be made sometime in 2023; once made, DEF will make the appropriate filing, if any, pursuant to the requirements of the 2021 Settlement Agreement. These provisions are explained more fully in the Mr. Panizza's testimony.

2021 Settlement Requirements

9. Paragraph 18 of the 2021 Settlement Agreement sets forth the methodology for calculating tax impacts and recovering or flowing them back to customers. Paragraph 18(a) provides, in relevant part:

> Federal or state corporate income tax changes occurring after the Effective Date ("Tax Reform") can

> take many forms, including changes to tax rates, changes to deductibility of certain costs, and changes to the timing of deductibility of certain costs. Therefore, the impact of Tax Reform could impact the effective tax rate recognized by DEF in FPSC adjusted reported net operating income and the measurement of existing and prospective deferred federal income tax assets and liabilities reflected in the FPSC adjusted capital structure.

10. DEF has determined that the IRA's change to PTCs for DEF's solar facilities results in a change to the effective tax rate recognized by DEF in FPSC adjusted reported net operating income. This provision also changes DEF's adjusted capital structure. Accordingly, DEF is filing this Petition in compliance with Paragraph 18(b) of the 2021 Settlement Agreement, which obligates DEF to quantify the impacts of the Tax Reform on DEF's jurisdictional base revenue requirement. Paragraph 18(b) also requires DEF to adjust base rates for the impacts of Tax Reform by applying a "uniform percentage decrease or increase to customer, demand and energy base rate charges, excluding delivery voltage credits, for all retail customer classes."

11. The Company has computed the resulting impact to base rates, a uniform percentage decrease to reflect a total amount to be flowed back to customers of $56.0 million. As discussed below, DEF proposes to adjust base rates starting with the first billing cycle of January 2023. Because the PTC change is retroactive to January 1, 2022, DEF proposes to credit customers for the actual 2022 impact in the next Capacity Cost Recovery (CCR) Clause filing (expected in March 2023). This is consistent with Paragraph 18(b) of the 2021 Settlement ("Any effects of tax reform on retail revenue requirements from the effective date through the date of the base rate adjustment shall be flowed back or collected from customers through the CCR Clause on the same basis as used in any base rate adjustment."). These calculations are more fully explained in Ms. Olivier's testimony.

Effective Date of Requested Changes

12. Paragraph 18(b) of the 2021 Settlement states that the base revenue requirements will be adjusted within 120 days of the effective date of the Tax Reform. The IRA was effective August 16, 2022, which would make the 120 days fall on December 16, 2022. So that the base rate changes will be effective with the first billing cycle of the month, and to align this base rate change with other changes that will be occurring January 2023,[2] DEF proposes to include the base rate changes associated with the IRA Tax Reform with the first billing cycle of January 2023. DEF will include the impacts of the Tax Reform for the entire calendar year 2022 in the March 2023 CCR Clause true-up filing. Given that the CCR Clause schedules have already been submitted in Docket Number 20220001-EI and the hearing is a month away, DEF believes it is more efficient to true up the CCR Clause in next year's proceeding.

13. DEF is preparing tariff sheets to reflect the impacts of the Tax Reform changes requested in this Petition, along with the other base rate changes that will be effective with the first billing cycle of January 2023. DEF requests that the Commission give its Staff authority to administratively approve the tariff sheets that will effectuate the January 2023 changes, based on the information provided in Exhibit No. __ (MJO-3) to Ms. Olivier's testimony.

Conclusion

WHEREFORE, DEF requests that the Commission conduct a limited proceeding and enter an order: (a) approving the calculation of the Tax Reform impacts, as set forth in this Petition and the testimony of Marcia Olivier; (b) approving the process for flowing the Tax Reform impacts to DEF's customers, as presented in this Petition and the testimony of Marcia Olivier; and (c)

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[2] The ROE Trigger approved in Docket Number 20220143-EI, the multi-year base rate adjustment approved as part of the 2021 Settlement, and the Duette SoBRA true-up.

providing the Commission Staff the authority to administratively approve DEF's tariff sheets effectuating these changes.

Respectfully submitted,

s/Dianne M. Triplett

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: DUKE ENERGY FLORIDA, LLC'S PETITION FOR A LIMITED PROCEEDING TO APPROVE RATE REDUCTIONS ASSOCIATED WITH THE INFLATION REDUCTION ACT OF 2022

FPSC DOCKET NO. _____________

DIRECT TESTIMONY OF MARCIA J. OLIVIER

OCTOBER 17, 2022

I. INTRODUCTION AND QUALIFICATIONS.

Q. Please state your name and business address.

A. My name is Marcia J. Olivier. My current business address is 299 First Avenue North, Saint Petersburg, FL 33701.

Q. By whom are you employed and what are your responsibilities?

A. I am employed by Duke Energy Florida, LLC as Director of Rates and Regulatory Planning. I am currently responsible for overseeing rate cases, reporting actual and projected earnings surveillance results, overseeing jurisdictional and class cost of service studies, and ensuring compliance with rate settlement agreements.

Q. Please summarize your educational background and professional experience.

A. I hold a Bachelor of Science degree in Accounting and a Bachelor of Science degree in Finance from the University of South Florida and have 23 years of utility experience, primarily in the regulatory department.

II. PURPOSE AND SUMMARY OF TESTIMONY

Q. What is the purpose of your direct testimony?

A. The purpose of my testimony is to present for Commission approval the amount of the tax impacts resulting from the Inflation Reduction Act and explain the process for flowing those tax impacts back to customers. The tax impact to DEF results from the election of production tax credits ("PTCs") retroactive to January 1, 2022 for solar facilities placed in service after December 31, 2021. In his direct testimony, Mr. Panizza discusses the applicability of PTCs for DEF. Mr. Panizza also explains that DEF will continue to monitor and assess whether it will incur a corporate alternative minimum tax or have a benefit from the investment tax credit related to qualifying energy storage projects beginning in 2023. If DEF determines that there will be impacts from either of these two items effective in 2023 or 2024, DEF will determine whether to make a filing once those projected impacts can be estimated.

Q. Do you have any exhibits to your testimony?

A. Yes, I am sponsoring the following exhibits to my testimony:

- Exhibit No. MJO-1, Calculation of Tax Impacts;
- Exhibit No. MJO-2, Uniform Percentage Decrease;
- Exhibit No. MJO-3, Summary of Tariff Changes; and
- Exhibit No. MJO-4, Residential Bill Impacts.

Theses exhibits were prepared under my direction and control and are true and accurate to the best of my knowledge.

Q. Please summarize your testimony.

A. On June 28, 2021, the Commission issued order No. PSC-2021-0202A-AS-EI, approving DEF's 2021 Settlement Agreement ("2021 Settlement"). Paragraph 18 of the 2021 Settlement sets forth the methodology for calculating the recovery or flow back of tax reform impacts. On August 16, 2022, the President signed into law the Inflation Reduction Act ("IRA"). Exhibit No. MJO-1 provides the calculation of the tax impacts and the impact on revenue requirements in accordance with the 2021 Settlement. DEF is proposing to adjust base rates effective with the first billing cycle of January 2023. Exhibit No. MJO-2 provides the calculation of the uniform percentage decrease to base rates. That decrease will be in conjunction with the multi-year rate increase from the 2021 Settlement, the ROE Trigger increase approved in Docket No. 20220143, and a small decrease associated with the true-up of the Duette solar base rate adjustment.[1] These are all shown on Exhibit No. MJO-3. Finally, all of these changes along with the other changes in the residential rate from 2022 to 2023 are provided in Exhibit No. MJO-4.

III. TAX REFORM IMPACTS AND FLOWBACK

Q. Why is DEF proposing to adjust base rates in January 2023?

A. Pursuant to Paragraph 18.b. of the 2021 Settlement, DEF is obligated to adjust base rates within 120 days of the latter of the enactment date or effective date of a change

[1] DEF made a filing on October 17, 2022 supporting the Duette SoBRA true-up.

in tax law. Therefore, DEF proposes to adjust base rates effective with the first billing cycle in January 2023 to flow back the projected impact of the 2023 PTCs.

Q. How does DEF plan to flow back the tax impacts from the effective date of the IRA through the date of the base rate adjustment?

A. Paragraph 18.b. in the 2021 Settlement states, "Any effects of tax reform on retail revenue requirements from the effective date through the date of the base rate adjustment shall be flowed back or collected from customers through the CCR Clause on the same basis as used in any base rate adjustment." Since the PTCs were effective in January 2022, and since the permanent base rate reduction will be effective in January 2023, DEF proposes to flow back the 2022 actual PTC revenue requirement impact via a subsequent Capacity Cost Recovery ("CCR") filing. The calculation of the 2022 PTC revenue requirement impact will be provided in that filing.

Q. Please explain your calculation of the Tax Savings.

A. For 2023, as shown in Exhibit No. MJO-1, Page 1, the total revenue requirement impact is a reduction of $56.0 million which is comprised of a $34.7 million decrease from the generation of PTCs, a $7.0 million decrease from the net change in DEF's weighted average cost of capital ("WACC") due to replacing investment tax credits ("ITCs") with PTCs, and a $14.3 million decrease from applying the revenue expansion factor.

Q. Please explain how the PTCs were calculated.

A. DEF first identified eligible solar facilities placed in service in 2022 and those estimated to be placed in service in 2023, along with each facility's nameplate capacity. DEF calculated volumes generated in 2023 by applying capacity factors consistent with DEF's 2022 ten-year site plan to each facility's nameplate generating capacity and multiplying by the number of hours in the month, factoring in the timing of when the unit is expected to be placed in-service. (i.e., Monthly Generated kWh = Capacity Factor x Nameplate Capacity x 24 Hours x Number of Days). Resulting volumes are presented in Exhibit No. MJO-1, Page 3. DEF then multiplied the PTC rate of $.0275 by the kWh generated. This rate is discussed in the Direct Testimony of Mr. Panizza. These calculations resulted in retail jurisdictional PTCs in the amount of $34.7 million as presented in Exhibit No. MJO-1, Page 3.

Q. What adjustments were made to DEF's WACC?

A. There are two adjustments to DEF's WACC as a result of the PTCs; 1) the removal of investment tax credits (ITCs) and 2) the addition of a deferred tax asset ("DTA") related to the accumulation of production tax credits. The WACC filed with the 2023 recovery clause projection filings was modified for the impacts as a result of the IRA. Exhibit No. MJO-1, Page 2, provides the 2023 projected WACC before and after the IRA impacts.

Q. Please explain the removal of accumulated ITCs.

A. The projected 2023 WACC included assumptions around the election of ITCs. Prior to the passing of the IRA, DEF intended to elect ITCs for eligible solar facilities and included $110 million in ITCs (on a 13-month average basis) in the 2023 WACC ITC balance (recorded to FERC Account 255). DEF removed the 13-month average balance of ITCs and related deferred tax asset (DTA) in the table titled "2023 Projected WACC – After IRA Impacts" as shown on Exhibit No. MJO-1, Page 2.

Q. Please explain the inclusion of a DTA from the accumulation of PTCs.

A. DEF is proposing to flow back the full value of PTCs generated in 2023 but will not be able to use these credits to reduce its taxes payable until sometime in the future (currently estimated to be no sooner than 2027). Therefore, DEF has recorded a DTA in the amount of the 13-month average balance of accumulated PTCs in the table titled "2023 Projected WACC - After IRA Impacts" as shown on Exhibit No. MJO-1, Page 2. The DTA is funded with additional capital from equity and debt, based on the 53% common equity ratio authorized in DEF's 2021 Settlement.

Q. What was the resulting impact to DEF's WACC?

A. These changes resulted in a decrease of .04% to DEF's WACC, from 6.22% to 6.18%. The 2023 revenue requirement impact is a reduction of approximately $7.0 million.

Q. What is the total revenue requirement impact?

A. As presented in Exhibit No. MJO-1, Page 1, DEF calculated a standalone net operating income impact including the WACC modifications (Lines 1-4) and the generation of PTCs (Line 5). These amounts were grossed-up by the 2023 revenue expansion factor (Line 7), as approved in the 2021 Settlement Agreement. The total revenue requirement impact is a reduction of $56.0 million.

Q. How was the base rate adjustment calculated?

A. Paragraph 18.b. in the 2021 Settlement states, "This adjustment shall be accomplished through a uniform percentage decrease or increase to customer, demand and energy base rate charges, excluding delivery voltage credits, for all retail customer classes." The uniform percentage decrease, provided in Exhibit No. MJO-2, has been calculated using billing determinants based on the August 5, 2022, Energy Conservation Cost Recovery Clause projection filing (Docket Number 20220002-EI), consistent with the proposed January 2023 rate increase in DEF's ROE Trigger filing (Docket No. 20220143-EI). The tariff rates (including winter and summer residential rates) in effect as of January 2023 were applied to the 2022 spring sales forecast billing determinants for the 12- month period January through December 2023, resulting in total base-rate revenue of $2,671,146,865 before the base rate decrease. The total amount to be flowed back divided by the total base-rate revenue using 2023 rates before any rate changes results in a uniform percentage decrease of 2.095%. Exhibit No. MJO-3 provides a summary of the tariff rate changes, starting with the 2023 multi-year rate increase per MFR E-13c in the 2021 Settlement and layering on the .910% increase for the ROE Trigger (Docket No. 20220143-EI), a .043% decrease for the Duette SOBRA true-up (Order No. PSC-2017-0451-AS-EU), and the 2.095% decrease for the impacts of the PTCs in this filing.

Q. What is the impact of the 2023 proposed rate changes on a 1,000 kWh residential bill?

A. Exhibit No. MJO-4 provides an updated Schedule E-10, originally filed in Docket No. 2022001-EI, Document No. 05978-2022.

Q. Does this conclude your testimony?

A. Yes, it does.

Duke Energy Florida, LLC
2021 Settlement - Tax Reform
Total Revenue Requirement Impact

			($000)	
	(1)	(2)	(3)	(4)
Line No.	Description	Source	**As Filed**	**Revised**
1	Jurisdictional Adjusted Rate Base	Exhibit 1, Page 2, Column 8, Line 12 and Line 28	$17,536,925	$17,536,925
2	Rate of Return on Rate Base	Exhibit 1, Page 2, Column 11, Line 12 and Line 28	6.22%	6.18%
3	Jurisdictional Net Operating Income Required	Line 1 x Line 2	1,090,797	1,083,782
4	Change in Net Operating Income Required	Line 3, Col (4) - Col (3)		(7,015)
5	PTC impact on Net Operating Income	Exhibit 1, Page 3, Column 13, Line 18		34,684
6	Net Operating Income Deficiency (Excess)	Line 4 - Line 5		(41,699)
7	Revenue Expansion Factor	Docket 20210016, MFR C-44 (2023)		1.34224
8	Revenue Increase (Decrease)	Line 6 x Line 7		($55,969)

Duke Energy Florida, LLC
2021 Settlement - Tax Reform
Projected WACC before and after IRA adjustments

Weighted Average Cost of Capital (WACC)
FPSC Adjusted Basis
Dec-23
($000)

Line	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1	**2023 Projected WACC - Before IRA Adjustments[1]**										
2											
3		System Per	Proration	System Per	Retail Per	Pro Rata	Specific	Adjusted	Cap	Cost	Weighted
4		Sys Per Book	Adjustment	Books Adj'd	Books	Adj	Adj	Retail	Ratio	Rate[2]	Cost
5	Common Equity	$9,395,837	$ 3,028	$ 9,398,865	$ 8,625,187	$ (825,926)	$ (10,094)	$ 7,789,166	44.42%	10.10%	4.49%
6	Long Term Debt	8,271,924	2,666	8,274,590	7,593,458	(727,130)	-	6,866,328	39.15%	4.06%	1.59%
7	Short Term Debt	60,233	19	60,252	55,293	(5,295)	-	49,998	0.29%	0.90%	0.00%
8	Cust Dep Active	183,076	59	183,135	183,135	(17,537)	-	165,599	0.94%	2.47%	0.02%
9	Cust Dep InActive	1,666	1	1,667	1,667	(160)	-	1,507	0.01%		
10	Invest Tax Cr	345,995	112	346,107	317,617	(30,414)	-	287,202	1.64%	7.27%	0.12%
11	Deferred Inc Tax	3,144,948	(5,885)	3,139,063	2,880,668	(275,845)	(227,699)	2,377,124	13.55%		
12	**Total**	$ 21,403,680	$ -	$ 21,403,680	$ 19,657,024	$ (1,882,306)	$ (237,793)	$ 17,536,925	100.00%		6.22%
13											
14											
15											
16											
17	**2023 Projected WACC - After IRA Adjustments**										
18											
19		System Per	Proration	System Per	Retail Per	Pro Rata	Specific	Adjusted	Cap	Cost	Weighted
20		Sys Per Book	Adjustment	Books Adj'd	Books	Adj	Adj	Retail	Ratio	Rate[2]	Cost
21	Common Equity	$9,405,772	$ 3,047	$ 9,408,818	$ 8,634,321	$ (826,800)	$ (10,094)	$ 7,797,426	44.46%	10.10%	4.49%
22	Long Term Debt	8,280,671	2,682	8,283,353	7,601,499	(727,900)		6,873,599	39.20%	4.06%	1.59%
23	Short Term Debt	60,297	20	60,316	55,351	(5,300)	-	50,051	0.29%	0.90%	0.00%
24	Cust Dep Active	183,076	59	183,136	183,136	(17,537)		165,599	0.94%	2.47%	0.02%
25	Cust Dep InActive	1,666	1	1,667	1,667	(160)		1,507	0.01%		
26	Invest Tax Cr	235,767	76	235,843	216,429	(20,725)		195,704	1.12%	7.27%	0.08%
27	Deferred Inc Tax	3,236,431	(5,885)	3,230,547	2,964,621	(283,884)	(227,699)	2,453,038	13.99%		
28	**Total**	$ 21,403,680	$ -	$ 21,403,680	$ 19,657,024	$ (1,882,306)	$ (237,793)	$ 17,536,925	100.00%		6.18%
29											

30 **Notes**

31 1) As filed in Docket Nos. 20220001, 20220002, 20220007, DEF's 2023 Projection filings.

32 2) Common Equity Cost Rate - ROE Rate Trigger Docket No. 20220143

Duke Energy Florida, LLC
2021 Settlement - Tax Reform
Calculation of Production Tax Credits

2023 Monthly Solar Generation (kWh)[1]

Line	(1) Month	(2) Bay Trail	(3) Charlie Creek	(4) Clearwater Marine Aquarium	(5) Fort Green	(6) Sandy Creek	(7) Bay Ranch	(8) Hardeetown	(9) Hildreth	(10) High Springs	(11) Sum (2) - (10) Total Generation (kWh)	(12) Production Tax Credit (PTC) Rate	(13) (11) * (12) PTCs Generated	(14) Accumulated PTCs
1	**Nameplate Capacity (MWac)**	**74.9**	**74.9**	**0.35**	**74.9**	**74.9**	**74.9**	**74.9**	**74.9**	**74.9**				
2	*In-Service Date*	*Note 2*	*8/10/2022*	*8/10/2022*	*6/10/2022*	*5/17/2022*	*Est 4/2023*	*Est 4/2023*	*Est 3/2023*	*Est 6/2023*				
3	Dec-22													3,145,525
4	Jan-23	15,603,000	16,160,000	73,000	15,603,000	15,603,000	-	-	-	-	63,042,000	$ 0.0275	$ 1,733,655	4,879,180
5	Feb-23	14,093,000	14,597,000	66,000	14,093,000	14,093,000	-	-	-	-	56,942,000	0.0275	1,565,905	6,445,085
6	Mar-23	15,603,000	16,160,000	73,000	15,603,000	15,603,000	-	-	15,603,000	-	78,645,000	0.0275	2,162,738	8,607,823
7	Apr-23	15,100,000	15,639,000	71,000	15,100,000	15,100,000	15,100,000	5,033,000	15,100,000	-	96,243,000	0.0275	2,646,683	11,254,505
8	May-23	15,603,000	16,160,000	73,000	15,603,000	15,603,000	15,603,000	15,603,000	15,603,000	-	109,851,000	0.0275	3,020,903	14,275,408
9	Jun-23	15,100,000	15,639,000	71,000	15,100,000	15,100,000	15,100,000	15,100,000	15,100,000	15,100,000	121,410,000	0.0275	3,338,775	17,614,183
10	Jul-23	15,603,000	16,160,000	73,000	15,603,000	15,603,000	15,603,000	15,603,000	15,603,000	15,603,000	125,454,000	0.0275	3,449,985	21,064,168
11	Aug-23	15,603,000	16,160,000	73,000	15,603,000	15,603,000	15,603,000	15,603,000	15,603,000	15,603,000	125,454,000	0.0275	3,449,985	24,514,153
12	Sep-23	15,100,000	15,639,000	71,000	15,100,000	15,100,000	15,100,000	15,100,000	15,100,000	15,100,000	121,410,000	0.0275	3,338,775	27,852,928
13	Oct-23	15,603,000	16,160,000	73,000	15,603,000	15,603,000	15,603,000	15,603,000	15,603,000	15,603,000	125,454,000	0.0275	3,449,985	31,302,913
14	Nov-23	15,100,000	15,639,000	71,000	15,100,000	15,100,000	15,100,000	15,100,000	15,100,000	15,100,000	121,410,000	0.0275	3,338,775	34,641,688
15	Dec-23	15,603,000	16,160,000	73,000	15,603,000	15,603,000	15,603,000	15,603,000	15,603,000	15,603,000	125,454,000	0.0275	3,449,985	38,091,673
16	**2023 Annual Total**	**183,714,000**	**190,273,000**	**861,000**	**183,714,000**	**183,714,000**	**138,415,000**	**128,348,000**	**154,018,000**	**107,712,000**	**1,270,769,000**		**$ 34,946,148**	
17	*Jurisdictional Separation Factor [3]*	*97.403%*	*100.000%*	*100.000%*	*97.403%*	*100.000%*	*100.000%*	*100.000%*	*100.000%*	*100.000%*				
18	**2023 Retail Total**	**178,943,192**	**190,273,000**	**861,000**	**178,943,192**	**183,714,000**	**138,415,000**	**128,348,000**	**154,018,000**	**107,712,000**	**1,261,227,385**	$ 0.0275	**$ 34,683,753**	
19														
20	**13M Average**													**$ 18,745,326**
21														

22 **Notes**
23 1) Volumes based on using capacity factor per 2022 TYSP
24 2) 57 5 MW was placed into service on 6/16/2022, and the remaining 14.4 MW was placed into service on 9/16/22.
25 3) The Clean Energy Connection facilities are 100% retail, and the SoBRA facilities use the solar separation factor for 2023 based on the amount presented in MFR E-10 (Page 23 of 36) filed on January 28, 2021
26 in Docket No. 20210016, approved in Order No. PSC-2021-0202-AS-EI.

Duke Energy Florida, LLC
2021 Settlement - Tax Reform
Calculation of Uniform Percentage Decrease

Purpose: Inflation Reduction Act
Amount: ($55,969,000)
Period: Jan 2023 - Dec 2023
Percent: -2.095%

		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Line No.	Rate Schedule	Billed Sales MWH	Billed Customer Charge ($000)	Billed Energy Charge ($000)	Billed Demand Charge ($000)	Billed Base Revenue Total ($000)	Unbilled Sales MWH	Energy and Demand $/MWH	Unbilled Revenue ($000)	Total Class Revenue ($000)	Base Rate Decrease at Uniform Percent ($000)	Total Class Revenue with Decrease ($000)
						(3) + (4) + (5)		(4 + 5) / (1)	(7) * (8)	(6) + (9)	**-2.095%**	(10) + (11)
1	RS-1	21,187,001	$ 265,595,081	$ 1,525,211,082	$ -	$ 1,790,806,163	(114,244)	$ 71.99	$ (8,224)	$ 1,790,797,939	$ (37,522,897)	$ 1,753,275,041
2	GS-1	1,165,933	11,225,243	84,109,682	-	95,334,924	(2,684)	72.14	(194)	95,334,731	(1,997,565)	93,337,166
3	GS-2	207,230	2,875,765	5,758,909	-	8,634,674	(35)	27.79	(1)	8,634,673	(180,924)	8,453,749
4	GSD-1	13,822,270	25,397,463	374,454,588	280,952,060	680,804,111	(14,028)	47.42	(665)	680,803,446	(14,264,992)	666,538,454
5	CS-1, CS-2, CS-3	61,189	12,126	935,338	1,497,442	2,444,906	(57)	39.76	(2)	2,444,904	(51,228)	2,393,675
6	IS-1, IS-2, IS-3	2,540,650	1,046,783	39,118,754	32,332,777	72,498,314	(1,247)	28.12	(35)	72,498,279	(1,519,069)	70,979,210
7	LS-1	330,646	1,323,448	9,549,044	-	10,872,492	(323)	28.88	(9)	10,872,483	(227,813)	10,644,670
8	SS-1	70,181	28,394	934,814	2,179,762	3,142,970	(573)	44.38	(25)	3,142,945	(65,855)	3,077,090
9	SS-2	67,856	30,530	892,311	2,555,329	3,478,170	(16)	50.81	(1)	3,478,169	(72,879)	3,405,290
10	SS-3	81,829	3,901	1,080,956	2,054,441	3,139,298	(18)	38.32	(1)	3,139,298	(65,778)	3,073,519
11	TOTAL	39,534,784	$ 307,538,734	$ 2,042,045,477	$ 321,571,812	$ 2,671,156,023	(133,224)		$ (9,158)	$ 2,671,146,865	$ (55,969,000)	$ 2,615,177,865

Duke Energy Florida, LLC
2021 Settlement - Tax Reform
Uniform Percentage Increase - Tariff Changes

Summary of Tariff Changes

Line	(1) Rate Schedule	(2) Type of Charge	(3) Jan-23 2021 Multi-Year Settlement MFR A-3	(4) Jan-23 Docket No. 20220143-EI ROE Trigger 0.910%	(5) Jan-23 **Note B** Decrease Duette -0.043%	(6) Jan-23 Proposed Decrease Tax Reform -2.095%	(7) Sum (3) thru (6) Jan-23 Proposed Rate ROE Trigger + Duette + Tax Reform
1	**RS-1**	Customer Charge - $ per Line of Billing					
2	**RST-1**	Standard	12.67	0.12	(0.01)	(0.27)	12.51
3	**RSL-1**						
4	**RSL-2**	Energy Charge - cents per KWH					
5		Standard					
6		0 - 1,000 KWH (Winter)	7.783	0.071	(0.003)	(0.163)	7.688
7		Over 1,000 KWH (Winter)	8.933	0.081	(0.004)	(0.187)	8.823
8		0 - 1,000 KWH (Non-Winter)	6.714	0.061	(0.003)	(0.141)	6.631
9		Over 1,000 KWH (Non-Winter)	7.598	0.069	(0.003)	(0.159)	7.505
10		Time of Use - On Peak	8.982	0.082	(0.004)	(0.188)	8.872
11		Time of Use - Off Peak	7.454	0.068	(0.003)	(0.156)	7.363
12		Time of Use - Super Off Peak	4.270	0.039	(0.002)	(0.089)	4.218
13							
14	**GS-1**	Customer Charge - $ per Line of Billing					
15	**GST-1**	Standard					
16		Unmetered	8.90	0.08	-	(0.19)	8.79
17		Secondary	15.75	0.14	(0.01)	(0.33)	15.55
18		Primary	199.14	1.81	(0.09)	(4.17)	196.69
19		Transmission	982.25	8.94	(0.42)	(20.58)	970.19
20							
21		Energy Charge - cents per KWH					
22		Standard	7.206	0.066	(0.003)	(0.151)	7.118
23		Time of Use - On Peak	9.054	0.082	(0.004)	(0.190)	8.942
24		Time of Use - Off Peak	8.432	0.077	(0.004)	(0.177)	8.328
25		Time of Use - Super Off Peak	4.724	0.043	(0.002)	(0.099)	4.666
26							
27		Premium Distribution Charge - cents per KWH	1.363	0.012	(0.001)	(0.029)	1.345
28							
29		Meter Voltage Adjustment - % of Demand & Energy Charges					
30		Primary	1.00%	0.00%	0.00%	0.00%	1.00%
31		Transmission	2.00%	0.00%	0.00%	0.00%	2.00%
32		Equipment Rental - % of Installed Equipment Cost	1.08%	0.00%	0.00%	0.00%	1.08%
33							
34	**GS-2**	Customer Charge - $ per Line of Billing					
35		Standard					
36		Unmetered	9.17	0.08	-	(0.19)	9.06
37		Metered	16.23	0.15	(0.01)	(0.34)	16.03
38							
39		Energy and Demand Charge - cents per KWH					
40		Standard	2.779	0.025	(0.001)	(0.058)	2.745
41							
42		Premium Distribution Charge - cents per KWH	0.241	0.002	-	(0.005)	0.238
43							
44		Equipment Rental - % of Installed Equipment Cost	1.08%	0.00%	0.00%	0.00%	1.08%
45							
46	**GSD-1**	Customer Charge - $ per Line of Billing					
47	**GSDT-1**	Standard					
48		Secondary	16.23	0.15	(0.01)	(0.34)	16.03
49		Primary	205.19	1.87	(0.09)	(4.30)	202.67
50		Transmission	1,012.09	9.21	(0.44)	(21.20)	999.66
51							
52		Demand Charge - $ per KW					
53		Standard	6.88	0.06	-	(0.14)	6.80
54		Time of Use					

Note B: SOBRA True-up Order No. PSC-2017-0451-AS-EU

Duke Energy Florida, LLC
2021 Settlement - Tax Reform
Uniform Percentage Increase - Tariff Changes

Summary of Tariff Changes

Line	(1) Rate Schedule	(2) Type of Charge	(3) Jan-23 2021 Multi-Year Settlement MFR A-3	(4) Jan-23 Docket No. 20220143-EI ROE Trigger 0.910%	(5) Jan-23 **Note B** Decrease Duette -0.043%	(6) Jan-23 Proposed Decrease Tax Reform -2.095%	(7) Sum (3) thru (6) Jan-23 Proposed Rate ROE Trigger + Duette + Tax Reform
55		Base	2.16	0.02	-	(0.05)	2.13
56		On Peak	1.25	0.01	-	(0.03)	1.23
57		Mid Peak	4.36	0.04	-	(0.09)	4.31
58		Delivery Voltage Credits - $ per KW					
59		Primary	1.29	0.01	-	(0.03)	1.27
60		Transmission < 230 kV	5.32	0.05	-	(0.11)	5.26
61		Transmission ≥ 230 kV	7.36	0.07	-	(0.15)	7.28
62							
63		Premium Distribution Charge - $ per KW	1.48	0.01	-	(0.03)	1.46
64							
65		Energy Charge - cents per KWH					
66		Standard	3.008	0.027	(0.001)	(0.063)	2.971
67		Time of Use - On Peak	3.316	0.030	(0.001)	(0.069)	3.276
68		Time of Use - Off Peak	2.729	0.025	(0.001)	(0.057)	2.696
69		Time of Use - Super Off Peak	1.640	0.015	(0.001)	(0.034)	1.620
70							
71		Meter Voltage Adjustment - % of Demand & Energy Charges					
72		Primary	1.00%	0.00%	0.00%	0.00%	1.00%
73		Transmission	2.00%	0.00%	0.00%	0.00%	2.00%
74		Equipment Rental - % of Installed Equipment Cost	1.08%	0.00%	0.00%	0.00%	1.08%
75							
76	**CS-2**	Customer Charge - $ per Line of Billing					
77	**CS-3**	Secondary	89.02	0.81	(0.04)	(1.86)	87.93
78	**CST-2**	Primary	247.17	2.25	(0.11)	(5.18)	244.13
79	**CST-3**	Transmission	922.46	8.39	(0.40)	(19.33)	911.12
80							
81		Demand Charge - $ per KW					
82		Standard	11.01	0.10	-	(0.23)	10.88
83		Time of Use					
84		Base	1.60	0.01	-	(0.03)	1.58
85		On Peak	1.31	0.01	-	(0.03)	1.29
86		Mid Peak	4.71	0.04	-	(0.10)	4.65
87							
88		Curtailable Demand Credit					
89		CS-2, CST-2 - $ per KW of On-pk Capability	7.72	-	-	-	7.72
90		CS-3, CST-3 - $ per KW of Contract Demand	7.72	-	-	-	7.72
91		Curtailable Event Incentive	0.25	-	-	-	0.25
92							
93		Delivery Voltage Credits - $ per KW					
94		Primary	1.29	0.01	-	(0.03)	1.27
95		Transmission < 230 kV	5.32	0.05	-	(0.11)	5.26
96		Transmission ≥ 230 kV	7.36	0.07	-	(0.15)	7.28
97							
98		Premium Distribution Charge - $ per KW	1.48	0.01	-	(0.03)	1.46
99							
100		Energy Charge - cents per KWH					
101		Standard	2.009	0.018	(0.001)	(0.042)	1.984
102		Time of Use - On Peak	1.848	0.017	(0.001)	(0.039)	1.825
103		Time of Use - Off Peak	1.601	0.015	(0.001)	(0.034)	1.581
104		Time of Use - Super Off Peak	1.011	0.009	-	(0.021)	0.999
105							
106		Meter Voltage Adjustment - % of Demand & Energy Charges					
107		Primary	1.00%	0.00%	0.00%	0.00%	1.00%
108		Transmission	2.00%	0.00%	0.00%	0.00%	2.00%

Note B: SOBRA True-up Order No. PSC-2017-0451-AS-EU

Duke Energy Florida, LLC
2021 Settlement - Tax Reform
Uniform Percentage Increase - Tariff Changes

Summary of Tariff Changes

Line	(1) Rate Schedule	(2) Type of Charge	(3) Jan-23 2021 Multi-Year Settlement MFR A-3	(4) Jan-23 Docket No. 20220143-EI ROE Trigger 0.910%	(5) Jan-23 **Note B** Decrease Duette -0.043%	(6) Jan-23 Proposed Decrease Tax Reform -2.095%	(7) Sum (3) thru (6) Jan-23 Proposed Rate ROE Trigger + Duette + Tax Reform
109		Equipment Rental - % of Installed Equipment Cost	1.08%	0.00%	0.00%	0.00%	1.08%
110							
111	**IS-2**	Customer Charge - $ per Line of Billing					
112	**IST-2**	Secondary	326.87	2.97	(0.14)	(6.85)	322.85
113		Primary	485.02	4.41	(0.21)	(10.16)	479.06
114		Transmission	1,160.34	10.56	(0.50)	(24.31)	1,146.09
115							
116		Demand Charge - $ per KW					
117		Standard	9.15	0.08	-	(0.19)	9.04
118		Time of Use					
119		Base	1.60	0.01	-	(0.03)	1.58
120		On Peak	1.31	0.01	-	(0.03)	1.29
121		Mid Peak	4.71	0.04	-	(0.10)	4.65
122							
123		Interruptible Demand Credit					
124		IS-2, IST-2 - $ per KW On-Peak Demand	7.72	-	-	-	7.72
125							
126		Delivery Voltage Credits - $ per KW					
127		Primary	1.29	0.01	-	(0.03)	1.27
128		Transmission < 230 kV	5.32	0.05	-	(0.11)	5.26
129		Transmission ≥ 230 kV	7.36	0.07	-	(0.15)	7.28
130							
131		Premium Distribution Charge - $ per KW	1.48	0.01	-	(0.03)	1.46
132							
133		Energy Charge - cents per KWH					
134		Standard	1.332	0.012	(0.001)	(0.028)	1.315
135		Time of Use - On Peak	1.848	0.017	(0.001)	(0.039)	1.825
136		Time of Use - Off Peak	1.601	0.015	(0.001)	(0.034)	1.581
137		Time of Use - Super Off Peak	1.011	0.009	-	(0.021)	0.999
138							
139		Meter Voltage Adjustment - % of Demand & Energy Charges					
140		Primary	1.00%	0.00%	0.00%	0.00%	1.00%
141		Transmission	2.00%	0.00%	0.00%	0.00%	2.00%
142		Equipment Rental - % of Installed Equipment Cost	1.08%	0.00%	0.00%	0.00%	1.08%
143							
144	**LS-1**	Customer Charge - $ per Line of Billing					
145		Standard					
146		Unmetered	1.66	0.02	-	(0.03)	1.65
147		Metered	4.77	0.04	-	(0.10)	4.71
148							
149		Energy Charge - cents per KWH					
150		Standard	2.888	0.026	(0.001)	(0.061)	2.852
151							
152		Fixture & Maintenace Charges - $ per fixture	various				various
153		Pole Charges - $ per Pole	various				various
154							
155		Other Fixture Charge Rate - % of Installed Fixture (	1.08%	0.00%	0.00%	0.00%	1.08%
156		Other Pole Charge Rate - % of Installed Pole Cost	1.08%	0.00%	0.00%	0.00%	1.08%
157							
158	**SS-1**	Customer Charge - $ per Line of Billing					
159		Secondary	141.01	1.28	(0.06)	(2.95)	139.28
160		Primary	329.96	3.00	(0.14)	(6.91)	325.91
161		Transmission	1,136.86	10.35	(0.49)	(23.82)	1,122.90
162		Customer Owned	113.69	1.03	(0.05)	(2.38)	112.29

Note B: SOBRA True-up Order No. PSC-2017-0451-AS-EU

Duke Energy Florida, LLC
2021 Settlement - Tax Reform
Uniform Percentage Increase - Tariff Changes

Summary of Tariff Changes

Line	Rate Schedule (1)	Type of Charge (2)	(3) Jan-23 2021 Multi-Year Settlement MFR A-3	(4) Jan-23 Docket No. 20220143-EI ROE Trigger 0.910%	(5) Jan-23 **Note B** Decrease Duette -0.043%	(6) Jan-23 Proposed Decrease Tax Reform -2.095%	(7) Sum (3) thru (6) Jan-23 Proposed Rate ROE Trigger + Duette + Tax Reform
163							
164		Base Rate Energy Charge - cents per KWH	1.332	0.012	(0.001)	(0.028)	1.315
165							
166		Distribution Charge - $ per KW					
167		Applicable to Specified SB Capacity	2.69	0.02	-	(0.06)	2.65
168							
169		Generation and Transmission Capacity Charge					
170		Greater of : - $ per KW					
171		Monthly Reservation Charge					
172		Applicable to Specified SB Capacity	1.504	0.014	(0.001)	(0.032)	1.485
173		Peak Day Utilized SB Power Charge of:	0.716	0.007	-	(0.015)	0.708
174							
175		Delivery Voltage Credits - $ per KW					
176		Primary	1.29	0.01	-	(0.03)	1.27
177		Premium Distribution Charge - $ per KW	1.38	0.01	-	(0.03)	1.36
178							
179	**SS-2**	Customer Charge - $ per Line of Billing					
180		Secondary	355.90	3.24	(0.15)	(7.46)	351.53
181		Primary	514.04	4.68	(0.22)	(10.77)	507.73
182		Transmission	1,189.36	10.82	(0.51)	(24.92)	1,174.75
183		Customer Owned	333.01	3.03	(0.14)	(6.98)	328.92
184							
185		Base Rate Energy Charge - cents per KWH	1.315	0.012	(0.001)	(0.028)	1.298
186							
187		Distribution Charge - $ per KW					
188		Applicable to Specified SB Capacity	2.68	0.02	-	(0.06)	2.64
189							
190		Generation and Transmission Capacity Charge					
191		Greater of : - $ per KW					
192		Monthly Reservation Charge					
193		Applicable to Specified SB Capacity	1.501	0.014	(0.001)	(0.031)	1.483
194		Peak Day Utilized SB Power Charge of:	0.715	0.007	-	(0.015)	0.707
195							
196		Interruptible Capacity Credit - $ per KW					
197		Monthly Reservation Credit	1.170	-	-	-	1.170
198		Daily Demand Credit	0.557	-	-	-	0.557
199							
200		Delivery Voltage Credits - $ per KW					
201		Primary	1.29	0.01	-	(0.03)	1.27
202		Premium Distribution Charge - $ per KW	1.37	0.01	-	(0.03)	1.35
203							
204	**SS-3**	Customer Charge - $ per Line of Billing					
205		Secondary	118.03	1.07	(0.05)	(2.47)	116.58
206		Primary	276.17	2.51	(0.12)	(5.79)	272.77
207		Transmission	951.49	8.66	(0.41)	(19.93)	939.81
208		Customer Owned	95.14	0.87	(0.04)	(1.99)	93.98
209							
210		Base Rate Energy Charge - cents per KWH	1.321	0.012	(0.001)	(0.028)	1.304
211							
212		Distribution Charge - $ per KW					
213		Applicable to Specified SB Capacity	2.68	0.02	-	(0.06)	2.64
214							
215		Generation and Transmission Capacity Charge					
216		Greater of : - $ per KW					

Note B: SOBRA True-up Order No. PSC-2017-0451-AS-EU

Duke Energy Florida, LLC
2021 Settlement - Tax Reform
Uniform Percentage Increase - Tariff Changes

Summary of Tariff Changes

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
							Sum (3) thru (6)
			Jan-23	Jan-23	Jan-23	Jan-23	Jan-23
			2021	Docket No.	**Note B**	Proposed	Proposed Rate
			Multi-Year	20220143-EI	Decrease	Decrease	ROE Trigger +
	Rate		Settlement	ROE Trigger	Duette	Tax Reform	Duette +
Line	Schedule	Type of Charge	MFR A-3	0.910%	-0.043%	-2.095%	Tax Reform
217		Monthly Reservation Charge					
218		Applicable to Specified SB Capacity	1.501	0.014	(0.001)	(0.031)	1.483
219		Peak Day Utilized SB Power Charge of:	0.715	0.007	-	(0.015)	0.707
220							
221		Curtailable Capacity Credit - $ per KW					
222		Monthly Reservation Credit	0.877	-	-	-	0.877
223		Daily Demand Credit	0.418	-	-	-	0.418
224							
225		Delivery Voltage Credits - $ per KW					
226		Primary	1.29	0.01	-	(0.03)	1.27
227		Premium Distribution Charge - $ per KW	1.37	0.01	-	(0.03)	1.35
228							
229							

Note B: SOBRA True-up Order No. PSC-2017-0451-AS-EU

Duke Energy Florida, LLC
2021 Settlement - Tax Reform
Residential Bill Impacts (Schedule E-10)

(1)	(2) As Filed Average -2023 ($/1000 kWh) [1]	(3) Proposed Average -2023 ($/1000 kWh) [2]	(4) Difference from Current $	(5) Difference from Current %
Base Rate [3]	83.20	81.46	(1.74)	-2.14%
Fuel Cost Recovery	59.61	59.61	0.00	0.00%
Capacity Cost Recovery (CCR)	13.28	13.28	0.00	0.00%
Energy Conservation Cost Recovery (ECCR)	3.20	3.20	0.00	0.00%
Environmental Cost Recovery (ECRC)	0.22	0.22	0.00	0.00%
Storm Protection Plan Cost Recovery Charge (SPPCRC)	4.14	4.14	0.00	0.00%
Interim Storm Charge	0.00	0.00	0.00	0.00%
Asset Securitization Charge (ASC)	2.65	2.65	0.00	0.00%
Subtotal	166.30	164.56	(1.74)	-1.06%
Gross Receipts Tax and Regulatory Assessment Fee	4.38	4.34	(0.04)	-0.92%
Total	$170.68	$168.90	($1.78)	-1.05%

[1] As Filed average rates from Jan - Dec 2023 for a Residential customer using 1000 kwh. Docket No. 20220001-EI, Document No. 05978-2022
[2] Proposed average rates from Jan - Dec 2023 for a Residential customer using 1000 kwh.
[3] Base Rate is in accordance with the 2021 Settlement Agreement approved in Order No. PSC-2021-0202-AS-EI, ROE Trigger provision filed on 8/12/22 in Docket No. 20220143-EI, and SOBRA True-up for Duette in accordance with 2017 Second RRSSA, Docket No. 20170183-EI, paragraph 15(g).

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: DUKE ENERGY FLORIDA, LLC'S PETITION FOR A LIMITED PROCEEDING TO APPROVE RATE REDUCTIONS ASSOCIATED WITH THE INFLATION REDUCTION ACT OF 2022

FPSC DOCKET NO. _____________

DIRECT TESTIMONY OF JOHN R. PANIZZA

OCTOBER 17, 2022

I. <u>INTRODUCTION</u>

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is John R. Panizza and my business address is 526 South Church Street, Charlotte, North Carolina 28202.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by Duke Energy Business Services LLC ("DEBS") as Director, Tax Operations. DEBS provides various administrative and other services to Duke Energy Florida, LLC ("DEF" or "Company") and other affiliated companies of Duke Energy Corporation ("Duke Energy").

Q. PLEASE SUMMARIZE YOUR RESPONSIBILITIES AS DIRECTOR, TAX OPERATIONS.

A. As Director, Tax Operations, I have overall responsibility for corporate tax compliance, and accounting for Duke Energy. The Duke Energy Tax Operations

Department is responsible for all federal, state, and local income tax returns for Duke Energy, including various joint ventures if Duke Energy is the designated tax matters partner.

The Tax Department is responsible for maintaining and reconciling Duke Energy's tax accounts and for the reporting and disclosure of tax-related matters, to the extent required.

Q. PLEASE BRIEFLY SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE.

A. I have a Bachelor of Science degree in Accounting from Montclair State University and a Master's degree in Taxation from Seton Hall University. I am a Certified Public Accountant in the state of New Jersey. My professional work experience began in 1989 as an auditor with KPMG. From 1993 to 2002, I held a number of financial positions, primarily in the telecommunications and automotive industries (AT&T Corp., and Collins & Aikman Inc.). In 2002, I joined Duke Energy and have held a number of financial positions of increasing responsibilities, including various accounting and tax related positions. In March 2018, after a three-year rotation primarily in Corporate Accounting, I moved back into the role of Director, Tax Operations, a position that I had previously held.

II. <u>PURPOSE OF TESTIMONY</u>

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. The purpose of my testimony is to summarize the key tax related components of the recently enacted Public Law 117-169, commonly known as the Inflation Reduction Act of 2022 ("IRA"), and to provide an overview of the changes most applicable to DEF.

Q. HAVE YOU PREPARED, OR CAUSED TO BE PREPARED UNDER YOUR DIRECTION, SUPERVISION, OR CONTROL, EXHIBITS IN THIS PROCEEDING?

A. No.

III. SUMMARY OF TAX RELATED CHANGES INTRODUCED UNDER THE IRA

Q. PLEASE BRIEFLY DESCRIBE THE IRA.

A. On August 16, 2022, President Biden signed the IRA into law. The IRA's climate and energy-related provisions expand existing and introduce new federal tax benefits incentivizing the development and use of renewable and alternative energy sources. Most notably for this proceeding, the IRA includes sweeping changes to the production tax credit ("PTC") and the investment tax credit ("ITC") provided under Internal revenue Code ("IRC") §§ 45 and 48, respectively, and introduces a corporate alternative minimum tax ("CAMT") based on adjusted financial statement income.

Q. PLEASE DESCRIBE THE EXTENSIONS AND MODIFICATIONS MADE TO THE IRC § 45 PTC AS A RESULT OF THE IRA.

A. The PTC is a per-kilowatt-hour (kWh) tax credit for electricity produced at a qualified facility over 10 years. Under prior law, the PTC was only available for wind, biomass, geothermal, landfill gas, trash, qualified hydropower, and marine and hydrokinetic renewable energy facilities, the construction of which began prior to 2022. The IRA extends the beginning-of-construction deadline to facilities that begin construction before January 1, 2025 and allows a PTC in lieu of an ITC for solar facilities. This allows taxpayers owning solar facilities that begin construction prior to the start of 2025 to take advantage of the PTC in lieu of the ITC. The PTC begins to phase-out beginning in 2033 or later once the domestic electric generation industry achieves greenhouse gas emission reductions of at least 75% from the 2022 emission level.

Additionally, the PTC is now subject to a two-tiered credit structure for facilities placed in service after 2021, with a base credit amount and a bonus credit amount. For example, for facilities placed in service during 2022, the base credit rate is 0.55 cents per kWh and a taxpayer can also qualify for an additional 2022 bonus credit rate of 2.75 cents per kWh for the IRC § 45 PTC, if the taxpayer meets both the prevailing wage and apprenticeship requirements.

For projects placed in service after 2022, the IRA also introduces an additional domestic content bonus for the PTC, which allows taxpayers to increase their IRC § 45 PTC by 10%, so long as the applicable requirements are met (related to the applicable percentage of the total cost of components that are mined, produced or manufactured in the US), as well as a 10% bonus for qualified facilities located in applicable "energy communities" (which generally includes certain brownfield sites, certain areas that historically had significant employment related to the extraction, processing, transport, or storage of coal, oil, or natural gas, or a census track where certain coal mines or coal-fired power plants used to operate).

Q. CAN YOU PLEASE PROVIDE AN OVERVIEW OF THE IRC § 45 PREVAILING WAGE AND APPRENTICESHIP REQUIREMENTS?

A. In general, under the prevailing wage requirements, the IRA requires all laborers, mechanics, and workers to be paid the prevailing wage during project construction (and, during the credit term, for repairs and alterations). Separately and subject to certain exceptions, to meet the apprenticeship requirements, qualified apprentices must perform an applicable percentage of total labor hours for project construction. Under IRC § 45, as amended by the IRA, a facility is deemed to meet both the prevailing wage and apprenticeship requirements if construction of the facility begins prior to 60 days after the Treasury issues guidance with respect to these rules.

Q. DOES DEF EXPECT TO OBTAIN THE 2023 BONUS CREDIT RATE OF 2.75 CENTS PER KWH FOR ITS IRC § 45 PTC ELIGIBLE PROJECTS?

A. Yes, DEF expects to qualify under IRC § 45 for the 2023 bonus credit rate of 2.75 cents per kWh (assuming no change in the inflation adjustment factor from 2022 to 2023, the project is not located in an energy community and does not satisfy domestic content requirements). Marcia Olivier's testimony and exhibits filed as part of this proceeding provides the quantification of the IRC § 45 PTC impact.

Q. WHEN DO THESE AMENDMENTS TO THE IRC § 45 PTC GO INTO EFFECT?

A. The IRC § 45 PTC amendments generally apply to facilities that are placed in service after December 31, 2021 with the exception of the domestic content and energy community bonus provisions, which apply to facilities placed in service after December 31, 2022.

Q. CAN YOU PLEASE DESCRIBE THE EXTENSIONS AND MODIFICATIONS MADE TO THE IRC § 48 ITC AS A RESULT OF THE IRA.

A. Under prior law, the ITC began phasing out for certain projects beginning construction after December 31, 2019. The IRA extends the ITC for most projects that begin construction before January 1, 2025 (except for geothermal heat pumps, which is extended to before January 1, 2035). For solar and certain other types of energy property that began construction after December 31, 2019, and that were placed in service prior to January 1, 2022, the ITC credit amount is 26%. Under the new law, for projects placed in service after December 31, 2021, the limited ITC amount/phase-out generally does not apply.

Like the IRC § 45 PTC and other credits, the IRC § 48 ITC is subject to the two-tiered credit structure (with the bonus rate being achieved if the prevailing wage and apprenticeship requirements are met (with similar exceptions to the IRC § 45 PTC)), with the credit amounts as follows:

- 6% (base) / 30% (bonus rate) for (1) qualified fuel cell property; (2) solar energy used to produce electricity, heat, or cool a structure, providing solar process heat; (3) equipment that uses solar energy for certain lighting applications; (4) qualified small wind energy property; (5) waste energy recovery property; (6) combined heat and power systems; and (7) geothermal.

- 2% (base) / 10% (bonus rate) for other energy property.

Additionally, the IRA expands the IRC § 48 ITC to include three new technologies — standalone energy storage, qualified biogas property and microgrid controllers — if construction begins by December 31, 2024 and placed into service after 2022. The 6% base credit rate and 30% bonus credit rate are also applicable to these new classes of energy property. Additionally, the IRA provides an election that allows regulated utilities to opt-out of the normalization rules with respect to ITCs for energy storage technology. This opt-out does not apply to other varieties of the ITC (e.g., solar).

Similar to the IRC § 45 PTC (and subject to the same requirements), taxpayers are eligible for an additional 10 percentage point increase to the bonus rate (or a 2-

percentage point increase to the base rate) for projects place in service after 2022 that meet domestic content requirements or are located in an energy community.

Q. HOW DOES THE EXPANSION OF THE IRC § 48 ITC TO INCLUDE STANDALONE ENERGY STORAGE TECHNOLOGY IMPACT THE INVESTMENT LANDSCAPE FOR BATTERY STORAGE PROJECTS?

A. Prior to the IRA, standalone energy storage projects were not eligible for the IRC § 48 ITC. Only investment costs associated with energy storage projects that were co-sited with an eligible renewable energy project, such as the development of an eligible solar facility, were eligible for the ITC.

The IRA expands the definition of eligible ITC property to include property placed into service after 2022 that receives, stores, and delivers energy for conversion to electricity (or, in the case of hydrogen, which stores energy) and has a nameplate capacity of not less than 5 kWh. This change allows standalone battery storage to qualify for the ITC, irrespective of the energy resources to charge from which its charged.

Q. WHEN DO THESE AMENDMENTS TO THE IRC § 48 ITC GO INTO EFFECT?

A. In general, the amendments to the IRC § 48 ITC are effective for property placed in service after December 31, 2021. The amendments related to standalone energy storage, qualified biogas property, and microgrid controllers, as well as increase in domestic content and energy community, are effective for property placed in service after December 31, 2022.

Q. AS IT RELATES TO SOLAR PROJECTS SPECIFICALLY, CAN YOU PLEASE DESCRIBE THE DIFFERENCE BETWEEN THE ITC AND THE PTC?

A. The PTC grants a per kilowatt-hour tax credit based on the amount of renewable energy generated by the solar facility over 10 years. Conversely, the ITC is determined based on the qualified investment in the solar facility.

Q. FOR SOLAR FACILITIES, DOES DEF BELIEVE THE IRC § 45 PTC OR THE IRC § 48 ITC WOULD PROVIDE A GREATER BENEFIT TO BE PASSED ON TO CUSTOMERS?

A. The PTC should provide a greater cash tax benefit to be passed on to customers. As mentioned above, the ITC is based on the investment in the eligible project and, as a result, its value is known upfront based on the costs incurred by the taxpayer. Conversely, the PTC is based on output of the facility over a 10-year period. As a result, there is more uncertainty with respect to PTC since it is contingent on the output of the facility rather than the cost. However, the solar ITC is subject to the normalization rules and, once recognized on the tax return, is shared with customers over the book depreciable life of the property. The PTC is not subject to the normalization rules, and the credit is earned over a 10-year period, thereby providing immediate income tax savings.

Q. CAN YOU PLEASE DESCRIBE THE CAMT INCLUDED IN THE IRA?

A. As mentioned above, the IRA includes a 15% CAMT on adjusted financial statement income ("AFSI") for corporations with average annual AFSI over $1 billion. The CAMT applies to any corporation (other than an S corporation, regulated investment company, or real estate investment trust) whose average annual AFSI exceeds $1 billion for any three consecutive tax years preceding the tax year. When determining AFSI for the $1 billion qualification test, the Act generally treats AFSI of all persons considered a single taxpayer with a corporation under IRC §§ 52(a) or (b) as AFSI of the corporation. Additionally, AFSI under the CAMT framework is adjusted for certain items, including the difference between the depreciation expense used for financial reporting purposes and depreciation expense used for income tax purposes.

The three-tax-year period means any three consecutive tax years preceding the tax year in which the tax applies (beginning with three-tax-year periods in which the third year of the period ends after December 31, 2021). For example, the three-tax-year period for a calendar-year corporation possibly subject to the CAMT for 2023 includes calendar years ending December 31, 2020, December 31, 2021, and December 31, 2022.

Corporations exceeding the $1 billion AFSI qualification test outlined above will be required to compute two separate calculations for federal income tax purposes and pay the greater of the CAMT or their regular tax liability. Additionally, the IRA adjusts the rules in IRC § 53 to provide a minimum tax credit for applicable corporations. Under modified IRC § 53, the net minimum tax (i.e., the tax imposed by IRC § 55) for all prior tax years beginning after 2022 can generally be carried forward and utilized as a credit against the taxpayer's regular tax liability.

The CAMT provisions of the IRA are effective for tax years beginning after December 31, 2022. Treasury guidance is expected on the application of the CAMT framework.

Q. WHICH OF THE IRA PROVISIONS DO YOU ANTICIPATE WILL IMPACT DEF DURING THE CALENDAR YEAR ENDING DECEMBER 31, 2022 and DECEMBER 31, 2023?

A. At this time, DEF does not expect to incur tax liability related to the CAMT provisions for calendar year 2023. However, as outlined above, any CAMT tax liability would not impact operating income, rather it would generate a credit to be carried forward to future tax periods to be used against future regular tax liability, generating a corresponding deferred tax asset. DEF will continue to monitor and assess whether it will incur a CAMT. DEF does not currently expect to have an operating income impact from the IRC § 48 ITC credit related to its energy storage technology projects beginning in 2023 unless DEF were to opt-out of normalization. This will require further analysis and assessment. DEF does expect to have an operating income benefit from the IRC § 45 PTC related to its solar generation projects beginning in 2022.

Q. HAVE YOU QUANTIFIED THE TAX-RELATED IMPACTS OF THE IRA?

A. Marcia Olivier has provided testimony and exhibits quantifying and explaining the expected tax savings related to the PTCs effective January 2022. We are still monitoring whether we expect to have an impact from the CAMT or potential ITC normalization opt-out related to energy storage technology projects effective January 2023.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.