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March 13, 2023

VIA ELECTRONIC FILING

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

Re: *Petition for approval of new clean energy impact program, a new renewable energy certificates (REC) buying program, by Duke Energy Florida, LLC.; Docket No. 20220202-EI*

Dear Mr. Teitzman:

On behalf of Duke Energy Florida, LLC ("DEF"), please find enclosed for electronic filing DEF's Response to Staff's Second Data Request regarding the above-referenced Docket.

Thank you for your assistance in this matter. Should have any questions, please feel free to contact me at (727) 820-4692.

Sincerely,

/s/ Dianne M. Triplett

Dianne M. Triplett

DMT/vr
Enclosures

cc: Shaw Stiller, Office of General Counsel, FPSC, sstiller@psc.state.fl.us
Orlando Wooten, Div. of Engineering, FPSC, owooten@psc.state.fl.us

**Duke Energy Florida, LLC's ("DEF") Response to
Florida Public Service Commission's Second Data Request (Nos. 1-12)
re. Petition for approval of new clean energy impact program, a new renewable energy
certificates (REC) buying program, by Duke Energy Florida, LLC.**

Docket No. 20220202-EI

1. For each class of customers (Residential, Commercial, and Industrial), please discuss whether they are able to purchase RECs from a third-party marketplace or other means. As part of your response, explain what difficulties or barriers, if any, customers would face in acquiring RECs in this manner.

Response:

DEF Residential customers can purchase RECs via DEF's Clean Energy Connection program today. DEF is not aware of third-party options currently marketing Florida RECs to its residential customers.

Commercial and Industrial customers can purchase RECs today from a third-party marketplace. DEF currently offers a third-party option through its non-regulated program, REC Solutions. With this program, DEF connects customers with non-locally sourced RECs.

2. What benefits, if any, would DEF's proposed Clean Energy Impact (CEI) program have for the general body of ratepayers?

Response:

Net benefits (program revenues less administrative fees) of the program will flow through like any other base rate items. Net benefits will be reflected as part of the revenue requirement in future base rates.

- a. What benefits, if any, would DEF's proposed CEI program have for residential and commercial participants?

Response:

The CEI program provides participants an additional option to purchase renewable attributes from DEF renewable energy resources. It is a simple, low-cost way for participants to work towards their sustainability goals and support local renewable energy. Please also see the response to question 9.

3. If the CEI program is approved, would DEF change how it reports renewable generation sources to the Public Service Commission (PSC) in its Ten-Year Site Plan? If so, detail what changes would occur. Also, please identify if any other information reported by

DEF in PSC filings would change with the approval of the CEI program and what those changes would be.

Response:

If the CEI program is approved, DEF would add language to its next year's Ten-Year Site Plan filing on April 1, 2024, that explains and provides a status on the Clean Energy Impact Program. There is no other information reported in DEF FPSC filings that would change with approval of the Program.

4. Is Duke aware of any requirements or agreements regarding the sale of RECs generated from non-Clean Energy Connection (CEC) solar facilities?

Response:

Please see the response to question 7a. Otherwise, no, DEF is not aware of any current requirements or agreements on non-CEC solar facilities.

5. Please refer to paragraph 5 of the Utility's Petition. Please describe the REC certification process and third-party entities involved, if any. As part of this explanation, provide the cost associated with certifying a REC on a dollars per REC (\$/REC) basis, and an explanation of how this value was determined.

Response:

Please see the response to question 8a. The North American Renewables Registry™ (NAR) is the third party involved to ensure the RECs are tracked and not double counted. This is the same generation information system that DEF is currently using for CEC. A formal certification is not required for either the Clean Energy Impact or CEC programs.

- a. Does transferring and/or retiring a REC have additional costs, and if so, what is the amount of those costs on a \$/REC basis and would they fall upon the seller, buyer, retiree, or some combination thereof?

Response:

Yes, the NAR has transactional costs which will be part of DEF's cost to administer the Clean Energy Impact program and would be included in the program administrative fee. It will cost \$.03 per certificate for retirements. The program will not transfer any RECs, so the cost of transfer is not applicable. Please see the response in question 8a for more details.

6. Explain if DEF has investigated selling RECs through a third-party marketplace or other means, outside of the proposed CEI program. If so, detail the investigated options, and explain why DEF did not choose each option.

Response:

Yes, DEF did consider utilizing a third-party marketplace, but did not choose that option for several reasons. DEF already has the expertise in-house to manage REC programs which it believes would be less expensive to its customers. In addition, offering it in-house would allow DEF to directly offer RECs to its customers and provide a way for them to pay on their bill. DEF also doesn't believe that a third-party marketplace would market to residential/small business customers so those would be left without this as an option. Lastly, selling through a third-party marketplace would not ensure the RECs are sold/retired to DEF customers so that would be in direct conflict with best practices. See question 6a.

- a. Why has Duke proposed to retire RECs from non-CEC solar facilities in its customer's name, as opposed to selling RECs on a currently-established tradeable REC market? Please explain.

Response:

Selling the RECs to DEF customers and retiring them in their name supports DEF's best practices to ensure environmental claims are made with integrity and are not double counted.

If DEF sold the RECs on a tradable market or transferred the RECs to a DEF customer without requiring retirement, this could result in those RECs being sold/transferred without proper retirement by the new owner and outside of DEF's balancing authority area. If a third-party acquired such RECs and used them to make its own renewable energy claims for energy outside of DEF's balancing authority area, there would be double-counting of the same megawatt-hour of renewable energy. This could arguably falsify DEF's claim to have delivered renewable energy under the program.

Additionally, any sale of RECs to a third-party would be at market prices, and such prices would at best be based on national supply and demand that offers no incremental financial benefit to DEF's customers. DEF believes that the Florida market increasingly demands locally sourced RECs, generated in the same system/balancing authority as the customer load.

7. For the following questions, assume that DEF sold its RECs in third party marketplaces or other means to any buyer instead of through the proposed CEI program to DEF customers exclusively.
 - a. Detail what harm, if any, DEF would be subject to if DEF were to sell RECs in this manner. As part of your response, please discuss how these harms, if any, would impact the general body of ratepayers.

Response:

As stated above in question 6, doing so would be going against best practices and DEF could be accused of false advertising and/or greenwashing. “Greenwashing” includes reporting an environmental benefit that is subject to falsification. Sometimes reports of an environmental benefit are not optional; for example, DEF reports its generation system mix. If DEF reports use of renewable energy and does not retain the RECs pursuant to best practices, DEF would be at risk of enforcement proceedings and fines based on claims of false advertising and/or greenwashing brought by federal authorities. These include the Federal Trade Commission under its Green Guides, the Securities and Exchange Commission under current rulemakings and enforcement warnings, and the Commodity Futures Trading Commission, which has grown increasingly vocal about enforcing against greenwashing and asserts jurisdiction based on use of “instrumentalities of interstate commerce,” i.e., the mail by which DEF customers are sent their bills. All this further supports DEF’s best practice to retire RECs in the same jurisdiction where they are generated.

- b. Would DEF change how it reports renewable generation sources to the PSC in its Ten-Year Site Plan if it sold RECs in this manner? If so, detail what changes would occur. Also, please identify if any other information reported by DEF in PSC filings would change if DEF sold RECs in this manner and what those changes would be.

Response:

Please see response above to question 3.

- c. Provide the estimated annual number of RECs that could be sold, the estimated revenue generated from REC sales, associated administrative costs, and estimated net benefits of REC sales for the years 2023 – 2028 if DEF sold all its RECs in this manner. As a part of this response, explain if DEF would sell all RECs generated by the Utility. If not, explain why not.

Response:

There are no numbers to provide in this scenario as DEF is not looking to utilize a third-party marketplace at this time. Please refer to questions 6, 6a, 7a.

8. Please refer to page 1 of the proposed CEI Tariff, the section titled “Rates.”
 - a. What fees or administrative costs are associated with the certification, registration, transfer, and/or sale of RECs for the proposed CEI program? Provide the total annual cost and \$ per REC cost for the years 2023 - 2028.

Response:

As mentioned above, DEF plans to use NAR’s web-based platform to issue and retire RECs. NAR charges transactional fees for both the issuance of RECs and for the retirement of RECs.

NAR currently charges an issuance fee of \$0.03 per Certificate issued and a retirement fee of \$0.03 per Certificate retired. NAR also charges a one-time registration fee for each generator asset registered in the platform as well as an annual subscription fee for each generator. The generator registration and annual subscription fees are based on the MW size of the generator. All information requested is included in the attached spreadsheet within the tab named "Question 8 A." Total costs within this response follow the same assumptions and estimates of price per REC and total REC sales as the response to question 6c. within the Staff's First Data Request.

- b. Please describe in detail the administrative expenses associated with administering the proposed program. As part of this response, provide the proposed program's estimated total annual REC certification costs and administrative expenses incurred by DEF for the years 2023 - 2028. Detail the components that comprise the calculation of the total annual administrative expenses calculation, including components such as labor, software, market fees, and other categories as needed.

Response:

In addition to the administration expenses detailed in the response to question 8a, DEF anticipates expenses for labor, IT/software, and marketing. Please see the attached spreadsheet, tab "Question 8 B."

- c. Provide the estimated annual program costs, revenue collected from administrative fees from program participants, and the net difference (if any) for the years 2023 - 2028.

Response:

Please see the attached spreadsheet, tab "Question 8 C." Total costs within this response follow the same assumptions and estimates of price per REC and total REC sales as the response to question 6c. within the Staff's First Data Request. As displayed in the spreadsheet table, DEF intends for the total annual costs to administer the program to correspond very closely with the total administrative fees collected from program participants. The administrative fee will be reviewed annually beginning 12 months from the date of Program approval by the FPSC to evaluate if fees collected match administrative expenses. If they do not match, the administrative fee will be adjusted the following year. The administrative fee will not exceed 20% of the REC price. In this example you will see that DEF would be able to decrease the admin fee in the outer years of the program as REC sales increase.

- d. Please identify each third-party marketplace or other means DEF investigated for

REC pricing information. For each, detail the investigated option and explain why DEF did or did not select them. If DEF investigated only one entity, explain why.

Response:

DEF will review the average Ask price of National Wind/Solar as well as consider any recent trends. To aid in this process, DEF will be looking to engage with a third-party brokerage service such as Amerex or NODAL to aid with REC pricing.

e. How Duke will handle any program revenues between rate classes? Please explain.

Response:

CEI program revenues will be allocated to the rate classes according to the same allocation methodology used to allocate the cost of producing the energy to which the RECs relate.

9. Please refer to page 2 of the proposed CEI Tariff, the section titled “Special Provisions.” Clarify what commercial customers may advertise about their participation if they choose to participate in the program.

Response:

Customers will be able to make claims about “using” or “being powered” by the renewable energy associated with the RECs they purchase. A REC grants customers the rights to the environmental attribute associated with 1 megawatt-hour (MWh) of electricity generated from a renewable resource. Additional information on REC claims can be found at [Credible Claims | US EPA](#).

10. For the following questions, please refer to Section 8 of proposed Tariff no. 6.421, which states that non-residential customers purchasing the stand-alone product will be required to enter into a service agreement which will be drafted by the Company.

a. Please provide the service agreement a non-residential customer would sign if they purchase RECs as a stand-alone product.

Response:

Draft service agreement is in development but can be provided once finalized.

b. Does Duke believe this contract should be included in the standard contracts and other agreement forms section of its tariffs? Please explain.

Response:

DEF does not believe this contract should be included as a standard contract form in its tariff. However, any service agreement will comply and reflect the terms of the CEI-1 tariff.

11. Please refer to DEF's Response to Staff's First Data Request, No. 2.a. Does DEF currently have rights to other unused RECs? If so please explain from what source.

Response:

DEF is not aware of any such rights at this time.

12. Please refer to DEF's Confidential Response to Staff's First Data Request, No. 3.d. Explain when and how DEF will calculate the annual REC price. As a part of this response, provide an example of the annual REC price calculation.

Response:

DEF will calculate the next annual REC price 60 days prior to the anniversary of Program approval. DEF will review the average Ask price of National Wind/Solar as well as consider any recent trends. Example- Program is approved April 1, 2023. Each year on February 1, DEF will set the next year's price effective on April 1. In the prior 12 months, the average solar REC price was \$3.00 and had been stable over the past 12 months. The REC price would therefore be set at \$3.00 for the year.

CEI - NAR Administrative Costs	2023	2024	2025	2026	2027	2028
Estimated Total RECs Available*	1,665,656	1,657,328	1,648,999	1,640,671	1,632,343	1,624,015
Estimated RECs Sold**	416,414	580,065	742,050	820,336	816,171	812,007
Annual Account & Asset Fees						
NAR General Account Fee	\$ 2,750	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000
Registration Fees (13 solar facilities)	\$ 11,500	\$ -	\$ -	\$ -	\$ -	\$ -
Subscription Fees (13 solar facilities)	\$ 23,000	\$ 23,000	\$ 23,000	\$ 23,000	\$ 23,000	\$ 23,000
Volumetric Fees						
Issuance Fees/yr. (\$.03/REC)	\$ 12,492	\$ 17,402	\$ 22,262	\$ 24,610	\$ 24,485	\$ 24,360
Retirement Fees/yr. (\$.03/REC)	\$ 12,492	\$ 17,402	\$ 22,262	\$ 24,610	\$ 24,485	\$ 24,360
Total Dollars Per Year	\$ 62,235	\$ 59,804	\$ 69,523	\$ 74,220	\$ 73,970	\$ 73,720
Total Dollars Per REC	\$ 0.149	\$ 0.103	\$ 0.094	\$ 0.090	\$ 0.091	\$ 0.091
*Total RECs available based on 13 facilities producing 1.67M MWh in yr. 1 with annual degradation rate of .5%						
**Estimated RECs sold based on 25% sales of available RECs in 2023 capping out at 50% in 2026						
<i>NOTE: These estimates will be updated/revised as DEF gains more experience with this program. Administrative volumetric fee totals are dependent on volume of REC sales.</i>						

CEI Administrative Expense Estimates	2023	2024	2025	2026	2027	2028
Labor*						
Program Management	\$ 52,500	\$ 75,000	\$ 77,250	\$ 79,568	\$ 81,955	\$ 84,413
Marketing Management	\$ 16,500	\$ 33,000	\$ 33,990	\$ 35,010	\$ 36,060	\$ 37,142
Product Service Specialist	\$ 15,000	\$ 30,000	\$ 30,900	\$ 31,827	\$ 32,782	\$ 33,765
IT & Software Expense						
Ongoing	\$ 65,000	\$ 66,950	\$ 68,959	\$ 71,027	\$ 73,158	\$ 75,353
NAR Fees						
Annual Account & Asset Fees						
NAR General Account Fee	\$ 2,750	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000
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Retirement Fees/yr. (\$.03/REC)	\$ 12,492	\$ 17,402	\$ 22,262	\$ 24,610	\$ 24,485	\$ 24,360
Marketing*						
Total costs for program marketing activities	\$ 56,728	\$ 100,861	\$ 111,181	\$ 114,415	\$ 106,080	\$ 100,230
Total Administrative Expense Estimates	\$ 267,962	\$ 365,615	\$ 391,802	\$ 406,066	\$ 404,005	\$ 404,623
*2023 Labor & Marketing totals assume a mid-year launch						
NOTE: These estimates will be updated/revised as DEF gains more experience with this program. Administrative volumetric fee totals are dependent on volume of REC sales.						

CEI Revenue Estimates	2023	2024	2025	2026	2027	2028
Estimated Total RECs Available*	1,665,656	1,657,328	1,648,999	1,640,671	1,632,343	1,624,015
Estimated RECs Sold**	416,414	580,065	742,050	820,336	816,171	812,007
Price per REC Estimate	\$ 3.30	\$ 3.30	\$ 3.30	\$ 3.30	\$ 3.30	\$ 3.30
Administrative Fee: Percentage of REC Price	20.0%	19.0%	16.0%	15.0%	15.0%	15.0%
Administrative Fee Dollar Amount	\$ 0.66	\$ 0.63	\$ 0.53	\$ 0.50	\$ 0.50	\$ 0.50
Total REC Revenue	\$ 1,374,166	\$ 1,914,215	\$ 2,448,765	\$ 2,707,109	\$ 2,693,364	\$ 2,679,623
Total Administrative Fee Revenue	\$ 274,833	\$ 363,701	\$ 391,802	\$ 406,066	\$ 404,005	\$ 401,943
CEI Administrative Expense Estimates	2023	2024	2025	2026	2027	2028
Labor***						
Program Management	\$ 52,500	\$ 75,000	\$ 77,250	\$ 79,568	\$ 81,955	\$ 84,413
Marketing Management	\$ 16,500	\$ 33,000	\$ 33,990	\$ 35,010	\$ 36,060	\$ 37,142
Product Service Specialist	\$ 15,000	\$ 30,000	\$ 30,900	\$ 31,827	\$ 32,782	\$ 33,765
IT & Software Expense						
Ongoing	\$ 65,000	\$ 66,950	\$ 68,959	\$ 71,027	\$ 73,158	\$ 75,353
NAR Fees						
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NAR General Account Fee	\$ 2,750	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000
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Subscription Fees (13 solar facilities)	\$ 23,000	\$ 23,000	\$ 23,000	\$ 23,000	\$ 23,000	\$ 23,000
Volumetric Fees						
Issuance Fees/yr. (\$.03/REC)	\$ 12,492	\$ 17,402	\$ 22,262	\$ 24,610	\$ 24,485	\$ 24,360
Retirement Fees/yr. (\$.03/REC)	\$ 12,492	\$ 17,402	\$ 22,262	\$ 24,610	\$ 24,485	\$ 24,360
Marketing***						
Total costs for program marketing activities	\$ 63,598	\$ 98,947	\$ 111,181	\$ 114,415	\$ 106,080	\$ 97,550
Total Administrative Expense Estimates	\$ 274,833	\$ 363,701	\$ 391,802	\$ 406,066	\$ 404,005	\$ 401,943
Administrative Fee Revenue vs. Expenses	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

*Total RECs available based on 13 facilities producing 1.67M MWh in yr. 1 with annual degradation rate of .5%

**Estimated RECs sold based on 25% sales of available RECs in 2023 capping out at 50% in 2026

***2023 Labor & Marketing totals assume a mid-year launch

NOTE: These estimates will be updated/revised as DEF gains more experience with this program. Administrative revenue and costs are dependent on volume of REC sales.