Dianne M. Triplett
DEPUTY GENERAL COUNSEL

April 2, 2024

VIA ELECTRONIC FILING

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

Re: Docket 20240025-EI, Petition for Rate Increase by Duke Energy Florida, LLC

Dear Mr. Teitzman,

Attached for filing in the above-referenced docket is the Petition of Duke Energy Florida, LLC's ("DEF's") Petition for Rate Increase. This letter contains an index of the documents we are e-filing today in support of DEF's petition.

The testimony and exhibits of DEF's supporting witnesses, together with its minimum filing requirement ("MFR") schedules, jurisdictional separation studies, cost of service studies, and a request for confidential classification are being filed contemporaneously under separate, individual cover letters. Regarding the MFRs, DEF is filing a full set of MFRs for each of its three test years: 2025, 2026, and 2027. For ease of review, the information is filed together in the same schedule, as noted on the index.

Thank you for your assistance in connection with this matter.

(Document 1 of 40)

Respectfully submitted,
s/Dianne M. Triplett
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Attachments

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for Rate Increase
by Duke Energy Florida, LLC

DOCKET NO. 20240025-EI

FILED: April 2, 2024

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for increase in rates By Duke Energy Florida, LLC	DOCKET NO:	20240025-EI
	DATED:	April 2, 2024

PETITION OF DUKE ENERGY FLORIDA, LLC

Duke Energy Florida, LLC ("DEF" or the "Company"), pursuant to the provisions of Chapter 366.06, Florida Statutes, and Rules 25-6.0425 and 25-6.043, Florida Administrative Code ("F.A.C."), respectfully petitions the Florida Public Service Commission ("PSC" or the "Commission") for approval of a permanent increase in base rates and other relief. DEF's request includes investments in, among other things, new solar projects and projects designed to increase the efficiency of existing generating units. This request will increase DEF's solar generating fleet and generate additional benefits for its customers. At 2023 market prices, each 74.9 MW solar unit reduced the DEF fuel expenditure by over $5 million.

DEF will also make investments in its customer delivery and transmission systems, to continue providing reliable service. Specifically, transmission performance has shown continuous improvement since 2018 with Grid System Average Interruption Duration Index (SAIDI), improving by 50%, and Outages per Hundred Miles per Year – Sustained Automatic (OHMY-SA) improving by 14%. Similarly, over the 5-year period from 2018-2022, DEF's reliability metrics are all trending favorably (downward). When compared to EIA-861 annual federal reliability filing results from 26 other United States investor-owned utilities with similar system characteristics as the Company, DEF's System Average Interruption Frequency Index (SAIFI) trend is improving at a faster rate than the group's average from 2014-2022. The group's average SAIDI was also a worsening trend from 2014-2022, while DEF's SAIDI trend is improving for the same period.

DEF's storm response is top notch. Duke Energy was selected for a 2024 Industry Excellence Award by Southeastern Electric Exchange for its response to Hurricane Idalia. And in 2023 DEF was awarded Edison Electric Institute's Emergency Recovery Award for its 2022 response to Hurricane Nicole.

DEF's requested rate increase will also help continue to maintain its generating fleet. The operating performance for DEF's generation fleet has improved over the last three years and is outperforming the North American Electric Reliability Council (NAERC) average. DEF's focus on safety has resulted in top decile results since 2018.

Simultaneously with this Petition, the Company has also filed Minimum Filing Requirements ("MFRs"), testimony, and exhibits. In support of this Petition, the Company states as follows:

Introduction

1. The Petitioner's name and address is:

Duke Energy Florida, LLC
299 1st Avenue North
St. Petersburg, Florida 33701

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:

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3. DEF is an investor-owned electric utility, regulated by the Commission pursuant to Chapter 366, Fla. Stat., and is a wholly owned subsidiary of Duke Energy Corporation. The Company's principal place of business is located at 299 1st Avenue North, St. Petersburg, Florida 33701.

4. DEF provides generation, transmission, and distribution electric service to just under two million customers in Florida. DEF's service area comprises approximately 20,000 square miles in thirty-five out of the state's sixty-seven counties, including the densely populated areas of Pinellas and western Pasco Counties and the greater Orlando area in Orange, Osceola, and Seminole Counties. DEF supplies electricity at retail to approximately 350 communities and at wholesale to Florida municipalities, utilities, and power agencies in the State of Florida.

Background

5. On January 14, 2021, in docket number 20210016-EI, DEF filed a Settlement Agreement ("2021 Settlement") that resolved among other things, issues regarding its revenue requirements. DEF and representatives of its customers ("Parties") agreed that DEF's base rates would not increase, beyond those increases agreed to in the 2021 Settlement, through the end of 2024. The Commission approved the 2021 Settlement in Order No. 2021-0202-AS-EI.

6. In 2021 DEF was able to work with the Parties, including the Office of Public

Counsel, to develop a settlement that brought significant customer value. In sum, the 2021 Settlement provided rate certainty and mitigated rate increases for customers, all while providing for the necessary investment to continue providing reliable, and increasingly clean, service. Pursuant to the 2021 Settlement, DEF's annual base rate increases in 2023 and 2024 were lower than they otherwise would have been due to the projected recognition of spent nuclear fuel proceeds of approximately $74 million in 2023 and $99 million in 2024 from the litigation against the Department of Energy ("DOE"). In DEF's last depreciation study filed with its 2021 Settlement, DEF agreed to hold transmission and distribution depreciation rates constant. DEF also agreed to defer the increase in the dismantlement reserve accrual from the 2021 Dismantlement Study filed with the 2021 Settlement and delay the start of amortization of the cost of removal ("COR") regulatory asset, previously authorized for recovery by the Commission, to January 1, 2025.

7. Since the approval of the 2021 Settlement, DEF has been able to continue to modernize the grid and improve reliability, introduce innovative programs for our customers, add solar generation to the system, and implement the Vision Florida pilot program to support innovative technologies approved in DEF's 2021 Settlement.

8. DEF's customers are receiving more reliable, resilient, and cleaner power than ever before. DEF has been moving to a cleaner generating fleet by investing in modernizing its existing fleet, as well as effective planning around changes needed, allowing DEF to reduce SO_2 and NO_X pollutants by over 97% and 81%, respectively, since 2005. Since 2005, DEF has reduced CO_2 emissions by about 25%. DEF's investments have facilitated the expiration of more expensive purchase power agreements, resulting in more customer savings.

9. The 2021 Settlement allowed DEF to accelerate the expected retirement dates for

DEF's last two coal-fired generation plants on its system. The 2021 Settlement also facilitated growing DEF's existing solar generation fleet to twenty-five grid-tied solar power plants in 2024 providing about 1,500 MegaWatts of emission free, clean generation with approximately five million solar panels installed across DEF's service area.

10. The Commission-approved Vision Florida program includes industry-leading initiatives such as the Suwannee Long-Duration Energy Storage project and the DeBary Hydrogen project. Consistent with the 2021 Settlement, the costs, and benefits to DEF's customers of projects in the Vision Florida program are included in DEF's current base rate request for the year 2025.

11. DEF proved its stewardship of its customers' dollars in the 2021 Settlement when DEF mitigated rate increases in 2023 and 2024 by recognizing the expected spent nuclear fuel litigation proceeds from the DOE. DEF advanced its customers litigation proceeds to cover DEF revenue requirements during the period of the 2021 Settlement, thereby lowering customer rates below what they otherwise would have been by $173 million: $74 million in 2023 and $99 million in 2024. This benefit now has been fully passed on to customers. Those litigation proceeds are no longer available to offset DEF's revenue requirements. The result is an increased revenue requirement in 2025 of $99 million as DEF's revenue requirements return to levels that existed before these litigation proceeds were used as an offset. This result further explains the factual difference in DEF's revenue requirements in 2025 compared to DEF's revenue requirements in 2026 and 2027, respectively.

12. On January 31, 2024, DEF filed a Test Year Notification Letter, in compliance with Rule 25-6.140, F.A.C., indicating its intent to file a base rate increase request on April 2, 2024 (more than sixty days after the Test Year Notification Letter filing).

Test Years

13. DEF is requesting three test periods in this Petition: 2025, 2026, and 2027, with incremental revenue requirements of $593 million, $98 million, and $129 million in each year, respectively, for a total increase of $820 million by 2027. As noted in its January 31 Test Year Notification Letter, using the projected 12-month periods ending December 31, 2025, 2026, and 2027 as the test years will provide an accurate representation of costs for the purposes of setting rates effective in January of each of these three years.

14. The use of 2025, 2026, and 2027 as the test periods in this case is consistent with Commission precedent, Commission rules, and Florida law. The Commission has held that the use of projected test years is appropriate, and the Supreme Court of Florida has recognized that the Commission has this authority. Indeed, Section 366.06(1) provides the Commission full authority to determine and fix fair, just, and reasonable rates that may be requested, demanded, charged, or collected by any public utility for its service. As this Commission well knows, the Commission has broad discretion in the rate-making process to set rates based on all factors that actually affect customer rates in future years. The Commission routinely employs this broad discretion to set rates over multiple years in approving rate case settlements. Both of DEF's last two base rate settlements, the 2017 Settlement with a term of 2018-2021 and the 2021 Settlement with a term of 2022-2024, have included multiple year rate increases. Other utilities have entered into similar multi-year rate settlements. Otherwise, due to annual cost and rate base increases that are outpacing the annual increases in sales revenues under existing rates, DEF (and other utilities) would need to file frequent rate cases.

15. This Commission further has the express authority to recognize the need for rate increases in future years based on the facts before the Commission as Subsequent Year

Adjustments ("SYA") pursuant to Rule 25-6.0425, F.A.C. The Commission has employed this express authority to provide utilities future year rate increases based on the factual circumstances before the Commission requiring such SYAs. Approval of three future test year periods is within the Commission's broad discretion under its statutory and regulatory authority to set rates based on the actual factors that affect prospective rates in the future.

16. DEF is proposing three future test year periods in this Petition to provide rate certainty for customers and avoid the cost and administrative burden of annual litigated rate cases, barring any unforeseen circumstances. For these reasons, as more fully explained below and in DEF's witness testimony, DEF seeks Commission approval of the 2025, 2026, and 2027 test years in this proceeding.

17. However, if the Commission finds that a more appropriate framing of the 2026 and 2027 test years is to refer to them as SYA's, then DEF pleads in the alternative and requests approval of a 2025 Test Year, a 2026 SYA and a 2027 SYA. The information provided in the full MFRs for the 2025 Test year, the 2026 SYA, and the 2027 SYA supports the rate increases DEF requests in this proceeding.

Request for Permanent Base Rate Relief

18. To continue providing customers with reliable, clean, and cost-efficient service, DEF must make additional investments. Its current base rates are not sufficient to support this necessary future investment. In sum, DEF is experiencing a slower rate of growth in sales revenue as compared to previous time periods. While customers continue to move into DEF's service territory, use per customer is declining. Base sales revenue is not keeping pace with DEF's expenses. At the same time, the nature of DEF's investments is changing from adding large generating units (and thus requesting a rate case based on that large additional investment) to

focusing on distributed resources and renewable investment that are spread over time and geographic locations. Without a rate increase effective January 2025, the Company's return on equity ("ROE") will drop to 6.43 percent. Without additional rate relief effective January 2026, the Company's ROE will drop to 5.90 percent, and the ROE will drop to 5.15 percent without the requested rate increase effective January 2027. A brief description of the details regarding the main drivers of each year's increase are included below and a full explanation of these details is included in the testimony of DEF's witnesses filed with this Petition.

Base Rate Increase for 2025

19. DEF is requesting revenue requirements of $593 million, effective the first billing cycle of January 2025. The major drivers of this rate increase are:

a. Amortization of deferrals from the 2021 Settlement, including dismantlement costs and the cost of removal regulatory asset;

b. Monetization of expected proceeds from the Department of Energy ("DOE") spent fuel litigation through 2024;

c. Increasing long-term debt interest rates;

d. Declining wholesale sales;

e. Increasing depreciation expense;

f. Additional investment in six new solar generation facilities totaling 449.4 MegaWatts;

g. Additional reliability and resiliency investments in distribution and transmission facilities, including but not limited to additional costs to provide service to 35,000 new customers each year; and

h. Projects to maintain and improve the efficiency of DEF's generation fleet.

Base Rate Increase for 2026

20. DEF is requesting revenue requirements of $98 million, effective the first billing cycle of January 2026. The major drivers of this rate increase are:

a. Increasing long-term debt interest rates;

b. Additional investment in four new solar generation facilities totaling 299.6 MegaWatts;

c. Additional reliability and resiliency investments in distribution and transmission facilities, including but not limited to additional costs to provide service to 35,000 new customers each year; and

d. Projects to maintain and improve the efficiency of DEF's generation fleet.

Base Rate Increase for 2027

21. DEF is requesting revenue requirements of $129 million, effective the first billing cycle of January 2027. The major drivers of this rate increase are:

a. Increasing long-term debt interest rates.

b. Additional investment in four new solar generation facilities totaling 299.6 MegaWatts and 100 Megawatt energy storage project capable of releasing up to 200 Megawatt-Hours of energy every day.

c. Additional reliability and resiliency investments in distribution and transmission facilities, including but not limited to additional costs to provide service to 35,000 new customers each year; and

d. Projects to maintain DEF's generation fleet.

22. DEF's current rates will not allow DEF to earn a reasonable rate of return. Absent the requested rate increase, the earned ROE would be 6.43 percent in 2025, 5.90 percent in 2026 and 5.15 percent in 2027. DEF proposes to set the Company's approved ROE midpoint at 11.15

percent on a proposed capital structure containing 53 percent equity and 47 percent debt. This ROE request reflects capital market expectations looking forward during the three-year period from 2025 through 2027 that will enable DEF to continue to access capital on competitive terms during this period. DEF's proposed ROE also reflects the significant increase in interest rates in recent years.

23. Simultaneously with this Petition, DEF has filed MFRs containing the information required by Rule 25-6.043(1), F.A.C. DEF has also filed supporting direct testimony and exhibits of its witnesses, which support the requested rate increases in each of the test years. The Company incorporates its MFRs, testimony, and exhibits into this Petition. The Company's MFRs and its prepared testimony and exhibits fully support DEF's Petition for an increase in its base rates.

24. DEF requests approval of the tariff sheets associated with permanent rate relief contained in Document 38, which is a part of MFR Schedule E and filed simultaneously with this Petition. These rate schedules are designed to produce the additional revenue sought by this Petition and needed to provide DEF a realistic opportunity to earn a fair and reasonable rate of return necessary to make the required investments to provide customers with safe and reliable service and attract investors. DEF's Petition, tariff sheets, MFRs, testimony and exhibits are filed with the Commission pursuant to the provisions of Section 366.06(3), Florida Statutes, and the Company requests base rate relief under this provision.

Solar Production Tax Credit True-Up Proposal

25. DEF has included a forecasted amount of production tax credits ("PTCs") as an offset to its requested revenue requirements associated with its solar investments. As discussed in the prepared testimonies of John Panizza and Marcia Olivier, uncertainty remains as to the actual PTCs DEF will realize in any given year. To avoid over-recovering or under-recovering these

PTCs, net of their associated costs, DEF requests to true-up the difference between the actual PTC net amounts received and the amounts in base rates each year. If approved, any difference between the actual PTCs and the amount included in the MFRs would be recovered from or refunded to customers through the Capacity Cost Recovery ("CCR") clause.

Tax Law Change Proposal

26. DEF proposes that if a change in tax law becomes effective for any of the test years 2025, 2026 or 2027, DEF shall submit a petition for approval of DEF's calculation of the impact on base-rate revenue requirements along with the tariffs to implement a change in base rates. DEF proposes to use the same methodology to calculate the impact of tax law changes as it has used for previous tax law changes pursuant to the provisions of the 2021 Settlement Agreement. That is, DEF will quantify the impact on its Florida jurisdictional base-rate revenue requirement as projected in DEF's forecasted earnings surveillance report for the calendar year that includes the period in which the tax law change becomes effective. The proposed methodology is further described in the direct testimony of Marcia Olivier.

Expansion of Clean Energy Connection Program

27. The Commission approved DEF's Clean Energy Connection ("CEC") program in Docket No. 20200176-EI. DEF proposes to expand the CEC program by adding five of its fourteen proposed solar units to the CEC program. The expansion is described more fully in the direct testimonies of Benjamin Borsch and Marcia Olivier. As described in Ms. Olivier's testimony, the MFRs reflect additional subscription revenues for these five solar plants; without those revenues the Company's requested revenue requirements for those plants would be higher. DEF respectfully requests approval of the expansion of its CEC program. In the alternative, if the Commission does

not approve the expansion, then DEF requests the right to revise its MFRs to reflect the higher revenue requirements.

Asset Optimization Mechanism

28. DEF proposes to implement an Asset Optimization Mechanism ("AOM"), effective January 1, 2025, to potentially provide customers with greater savings opportunities. This mechanism is similar to asset optimization programs that the Commission has previously approved for Tampa Electric Company and Florida Power and Light. DEF's AOM would consist of both short-term wholesale power purchases savings and gains on short-term wholesale power sales, as well as gains on all forms of asset optimization. The AOM will operate as an incentive for DEF to maximize gains to the mutual benefit of customers and the Company. The AOM is described in more detail in the testimony of James McClay. DEF requests approval in this Petition to implement the AOM.

Depreciation Cost Study

29. DEF petitions the Commission, pursuant to Rule 25-6.0436, F.A.C., for approval of its Depreciation Study filed contemporaneously with its Petition as an Exhibit to the prepared testimony of Ned Allis. Rule 25-6.0436(2), F.A.C. provides that no utility shall change any existing depreciation rate or initiate any new depreciation rate without prior Commission approval. Rule 25-6.0436(4), F.A.C. further requires utilities to file a depreciation study with the Commission and describes what a depreciation study must contain. Consistent with Commission Rule 25-6.0436, F.A.C., DEF files its 2024 Depreciation Cost Study with the Commission for approval and for use in this proceeding for setting the Company's base rates effective January 1, 2025.

Dismantlement Cost Study

30. DEF petitions the Commission pursuant to Rule 25-6.04364, F.A.C. for approval of the Company's 2024 Dismantlement Cost Study filed contemporaneously with its Petition and as an Exhibit to the prepared testimony of Jeffrey Kopp. Rule 25-6.04364, F.A.C. requires each utility to establish a dismantlement accrual approved by the Commission to accumulate a reserve sufficient to meet all expenses at the time of each plant's dismantlement and to file with the Commission a dismantlement cost study for each plant generating site at least every four years. DEF submits its Dismantlement Cost Study, which includes each requirement listed in Rule 25-6.04364(3), F.A.C., to the Commission for approval and for use in this proceeding for setting the Company's base rates effective January 1, 2025.

Storm Loss and Reserve Solvency Study

31. DEF's last storm reserve study was filed in January 2021. The Commission approved DEF's storm reserve level at $132 million in the 2021 Settlement Agreement. Pursuant to Rule 25-6.0143(1)(l), F.A.C., DEF's next storm reserve study is due by January 2026. DEF will not include an updated storm reserve study or an additional accrual to the storm reserve in this rate case given its current ability to recover storm costs and replenish the storm reserve to its currently approved level of $132 million pursuant to the 2021 Settlement Agreement. Since Rule 25-6.0143(1)(l), F.A.C. authorizes electric utilities to petition for recovery of storm restoration costs and replenishment of the storm reserve, in the event of a storm that occurs after January 1, 2025, DEF requests approval to implement a storm surcharge 60 days after filing a petition to recover estimated storm costs and replenish the storm reserve to $132 million over a 12-month period. Once actual storm costs are recognized, DEF would then file a petition to true-up the difference between the amount collected and the actual costs incurred through the next CCR clause filing

after the 12-month surcharge ends. With the ability to expeditiously recover storm costs and replenish the storm reserve to $132 million, DEF would not need to increase the storm reserve balance beyond $132 million at this time. DEF expects to file the storm reserve study by January 2026 as required, but, if the Commission approves this expedited storm cost recovery treatment, it will not request a rate increase associated with that study.

Cost of Service Study

32. DEF has included two cost of service studies for each of the three test periods; one is based on the Commission's required production demand allocation methodology of 12 CP and 1/13th AD[1], and the other is based on DEF's proposed 12 CP and 25% AD methodology. These allocation methodologies are described in the prepared testimony of Marcia Olivier. Paragraph 10 of the 2021 Settlement states: "…in DEF's next general base rate case, DEF intends to file both the 12 CP and 1/13 AD and the 12 CP and 25 AD methods but rely upon only the 12 CP and 25 AD method to meet its initial burden of proof." Therefore, while DEF is providing COS studies based on the 12 CP and 1/13 AD methodology as required, the rate design MFR E-Schedules rely on the 12 CP and 25% AD production demand allocation methodology, and this petition requests approval of that 12 CP and 25% AD methodology.

Other Matters

33. This Petition represents an original pleading and is not in response to any proposed action by the Commission. Accordingly, portions or all of Rule 28-106.201(2)(c), (e), (f), and (g), F.A.C. are not applicable. DEF is not aware of any disputed issues of material fact that may be raised by parties that plan to participate in this proceeding. The remainder of the requirements set forth in Rule 28-106, 201, F.A.C. have been met by the other paragraphs in this Petition.

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[1] Per Rule 25-6.043(1)(a), F.A.C.

Conclusion

WHEREFORE, for all these reasons, as more fully explained in the testimony, exhibits, and MFRs filed in support of its Petition, the Company respectfully petitions the Florida Public Service Commission to:

(1) Accept this filing for final agency action;

(2) Set an early hearing date for purposes of granting permanent relief, and enter its decision on or before November 1, 2024, so as to permit DEF to earn a fair and reasonable rate of return for electric service provided to customers beginning with the first billing cycle for January 2025;

(3) Find and determine that the Company's present base rates are insufficient to yield a fair rate of return beginning January 1, 2025;

(4) Authorize DEF to revise and increase its base rates and service charges to generate additional gross annual base revenues of approximately $593 million in 2025, $98 million in 2026 and $129 million in 2027 in base rate revenue requirements to become effective the first billing cycle of January 2025, 2026, and 2027, respectively, so that DEF will have an opportunity to earn a fair overall rate of return, including a rate of return of 11.15 percent on common equity capital, thus enabling the Company to maintain its financial integrity and attract necessary capital;

(5) Give the Commission Staff administrative authority to approve modified tariff sheets, effective January 2026, and January 2027, to implement the requested rates as shown in the full set of MFRs filed in support of those respective years;

(6) Approve the Company's Depreciation Cost Study;

(7) Approve the Company's Dismantlement Cost Study;

(8) Approve the 12 CP and 25% AD methodology for cost of service allocation;

(9) Approve the tariff sheet sheets contained in Document 38, which is a part of MFR Schedule E to be effective with the 1st billing cycle for January 2025;

(10) Approve true-up of costs related to the solar production tax credit through the CCR;

(11) Approve the Company's storm cost recovery proposal;

(12) Approve the Company's tax law change proposal;

(13) Approve the Company's expanded Clean Energy Connection Program, and in the alternative, if the Commission does not approve the expansion, then authorize DEF to file revised higher revenue requirements and modify its proposed tariff rates to reflect the removal of the subscription credits;

(14) Approve the Company's proposed Asset Optimization Mechanism; and

(15) Grant to the Company such other and further relief as the Commission may find to be reasonable and proper pursuant to the authority granted to the Commission under Chapter 366, Florida Statutes.

Respectfully submitted,

/s/ Dianne M. Triplett

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CERTIFICATE OF SERVICE

Docket No. 20240025-EI

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by electronic mail this 2nd day of April, 2024, to the following:

/s/ Dianne M. Triplett
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This Petition, along with the direct testimony, *redacted* exhibits, and *redacted* MFRs, can be found on DEF's website: https://www.duke-energy.com/FL-Rates.