

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Fuel and purchased power cost recovery clause with generating performance incentive factor.

DOCKET NO. 20240001-EI  
ORDER NO. PSC-2024-0171-PCO-EI  
ISSUED: May 24, 2024

The following Commissioners participated in the disposition of this matter:

MIKE LA ROSA, Chairman  
ART GRAHAM  
GARY F. CLARK  
ANDREW GILES FAY  
GABRIELLA PASSIDOMO

ORDER APPROVING DUKE ENERGY FLORIDA, LLC'S  
MID-COURSE CORRECTION

BY THE COMMISSION:

BACKGROUND

On April 8, 2024, Duke Energy Florida, LLC (DEF or Company), filed for revision of its currently effective 2024 fuel cost recovery factors (MCC Petition).<sup>1</sup> DEF's currently effective fuel factors were approved last year at the November 1, 2023 final hearing.<sup>2</sup> Underlying the approval of DEF's 2024 fuel factors was the Florida Public Service Commission's (Commission) review of the Company's projected 2024 fuel- and capacity-related costs. These costs are recovered through fuel and capacity cost recovery factors that are set/reset annually in this docket.

Mid-Course Corrections

Mid-course corrections are used by this Commission between annual clause hearings whenever costs deviate from revenue by a significant margin. Under Rule 25-6.0424, Florida Administrative Code (F.A.C.), which is commonly referred to as the "mid-course correction rule," a utility must notify us whenever it expects to experience an under- or over-recovery of certain service costs greater than 10 percent. The notification of a 10 percent cost-to-revenue variance shall include a petition for mid-course correction to the fuel cost recovery or capacity cost recovery factors, or shall include an explanation of why a mid-course correction is not

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<sup>1</sup>Document No. 01668-2024.

<sup>2</sup>Order No. PSC-2023-0343-FOF-EI, issued November 16, 2023, in Docket No. 20230001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor.*

practical. The mid-course correction rule and its codified procedures are further discussed throughout this order.

### DEF's Petition

In its MCC Petition, the Company currently estimates a net \$233,496,431 million reduction in fuel-related costs for the 2024 period relative to its previous estimate. DEF is proposing to use June 2024 through May 2025 forecasted sales in determining its proposed mid-course fuel factors. This proposal has the effect of reducing fuel cost recovery factors for the remainder of this year as well as 2025. Furthermore, The Company is requesting that its revised fuel cost recovery factors and associated tariff become effective beginning with the first billing cycle of June 2024. The mid-course correction amount, rate methodology, and proposed effective date are further discussed herein.

We are vested with jurisdiction over the subject matter of this proceeding by the provisions of Chapter 366, Florida Statutes (F.S.), including Sections 366.04, 366.05, and 366.06, F.S.

### DECISION

DEF participated in our most-recent fuel hearing which took place on November 1, 2023. The fuel order stemming from this proceeding set forth the Company's fuel and capacity cost recovery factors effective with the first billing cycle of January 2024.<sup>3</sup> Following the issuance of the fuel order, the Company has subsequently updated its 2024 fuel cost projection. DEF now projects its 2024 fuel-related costs to be approximately \$233 million (net) lower than estimated in September 2023.<sup>4</sup> This reduction is primarily due to lower assumed prices for natural gas. The main factors influencing the decline in actual and projected natural gas prices in 2024 are elevated quantities of natural gas in storage and milder weather compared to previous years.<sup>5</sup>

### DEF Fuel and Purchased Power Mid-Course Correction

DEF filed for a mid-course correction of its fuel charges on April 8, 2024.<sup>6</sup> The Company's MCC Petition and supporting documentation satisfies the filing requirements of Rule 25-6.0424(1)(b), F.A.C.

The Company developed its proposed mid-course correction factors using twelve months of forecasted sales data, or from June 2024 through May 2025. The factors proposed in this proceeding are currently contemplated to be charged for seven months in 2024. As is typical procedure, later this year newly developed 12-month-applicable factors will be proposed for authorization to begin with the first billing cycle of January 2025.

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<sup>3</sup>*Id.*

<sup>4</sup>Document No. 05083-2023.

<sup>5</sup><https://www.eia.gov/outlooks/steo/archives/apr24.pdf>

<sup>6</sup>Document No. 01668-2024.

### Actual Period-Ending 2023 Fuel Cost Recovery Position

Through its February 27, 2023, amended mid-course correction filing, DEF initially projected a period-specific 2023 over-recovery of fuel costs in the amount of \$710,224,788.<sup>7</sup> By its revised actual/estimated filing and in compliance with Order No. PSC-2023-0112-PCO-EI, the projected period-specific 2023 over-recovery of fuel costs was amended by \$119,078,499. This resulted in a projected period-specific 2023 over-recovery of \$829,303,287 and a total true-up under-recovery of (\$554,889,752).<sup>8</sup> However, the Company under-recovered (i.e., “less period over-recovery”) this amount by (\$19,202,150) as its actual fuel cost recovery position at the end of 2023 is an under-recovery of (\$574,091,902).<sup>9</sup> This approximate (\$19.2) million difference is proposed for inclusion in rates through the instant proceeding.

Decreased pricing for natural gas is the primary driver of the approximate \$829 million period over-recovery of 2023 fuel costs discussed above. More specifically, the Company estimated an annual delivered natural gas cost of \$8.07 per million British thermal unit (MMBtu) in its first fuel cost projection of 2023.<sup>10</sup> However, as indicated in the Company’s December 2023 A-Schedule, DEF’s average 2023 cost of natural gas was \$4.16 per MMBtu, representing a difference of 48.5 percent.<sup>11</sup> Natural gas-fired generation comprised approximately 85.5 percent of DEF’s generation mix in 2023.<sup>12</sup>

### Projected 2024 Fuel Cost Recovery Position

DEF’s 2024 fuel-related revenue requirement has decreased substantially since the filing of its last cost projection in September 2023.<sup>13</sup> More specifically, the results of this updated estimate are a reduction in DEF’s estimated 2024 fuel-related costs in the amount of \$252,698,582. As mentioned above, the 2023 remaining period-specific under-recovery of (\$19,202,150) is proposed for collection through new 2024 rates. Thus, the proposed net or decremental amount for inclusion into 2024 rates is \$233,496,431.<sup>14</sup>

The primary factor driving the change in projected 2024 fuel costs is lower assumed pricing for natural gas. More specifically, the underlying market-based natural gas price data used for the 2024 fuel cost projection was sourced on August 11, 2023.<sup>15</sup> This underlying data was used to produce an estimated average delivered 2024 natural gas cost of approximately

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<sup>7</sup>Document No. 01366-2023.

<sup>8</sup>Document No. 05083-2023. We note that the Company’s estimated end-of-period 2023 under-recovery in the amount of (\$554,889,752) is embedded in current rates per Order No. PSC-2023-0343-FOF-EI. This amount constitutes the remainder of the approximate (\$1.4 billion) net under-recovery of 2022 fuel costs ordered to be collected in 2023 and 2024. See Order No. PSC-2023-0122-PCO-EI, issued March 24, 2023, in Docket No. 20230001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor*.

<sup>9</sup>Document No. 01573-2024.

<sup>10</sup>Document No. 05978-2022.

<sup>11</sup>Document No. 00236-2024.

<sup>12</sup>*Id.*

<sup>13</sup>Document No. 05083-2023.

<sup>14</sup>Document No. 01668-2024.

<sup>15</sup>Document No. 05083-2023.

\$5.19 per MMBtu.<sup>16</sup> However, indicated in its MCC Petition, DEF now estimates its average cost of natural gas in 2024 will be \$3.99 per MMBtu, representing a decrease of 23.1 percent.<sup>17</sup> The updated cost estimate was based on natural gas futures/prices sourced on March 12, 2024, or roughly seven months later than the previous estimate used to set current rates.<sup>18</sup> Natural gas-fired generation is projected to comprise approximately 81.3 percent of DEF's generation mix in 2024.<sup>19</sup>

#### Recovery Period and Interest Premium

As proposed, the accounting period for the 2024-applicable portion of the over-recovery is seven months, or beginning June 2024 and ending December 2024.<sup>20</sup> Jurisdictional sales from June 2024 through May 2025 in the amount of 40,548,317 (meter) megawatt-hours were used to develop the mid-course correction factors proposed for approval in this proceeding.

DEF utilized the 30-day AA Financial Commercial Paper Rate published by the U.S. Federal Reserve to determine its actual 2023 and 2024 (January and February) interest amounts.<sup>21</sup> The projected 2024 monthly interest rate was assumed for all forward months by using/holding constant the actual February 2024 interest rate of 0.442 percent (monthly).

#### Mid-Course Correction Percentage

Following the methodology prescribed in Rule 25-6.0424(1)(a), F.A.C., the mid-course percentage is equal to the estimated end-of-period total net true-up, including interest, divided by the current period's total actual and estimated jurisdictional fuel revenue applicable to period, or  $\$233,496,431 / \$1,509,155,533$ .<sup>22</sup> This calculation results in a mid-course correction level of approximately 15.5 percent at December 31, 2024.

#### Fuel Factor

DEF's currently-approved annual levelized fuel factor beginning with the first January 2024 billing cycle is 5.239 cents per kilowatt-hour (kWh).<sup>23</sup> The Company is requesting to decrease its currently approved 2024 annual levelized fuel factor beginning June 2024 to 4.663 cents per kWh, a decrease of approximately 11.0 percent.<sup>24</sup>

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<sup>16</sup>*Id.*

<sup>17</sup>Document No. 01668-2024.

<sup>18</sup>*Id.*

<sup>19</sup>*Id.*

<sup>20</sup>*Id.*

<sup>21</sup>Document No. 01787-2024.

<sup>22</sup>Document No. 01668-2024, Schedule E1-B.

<sup>23</sup>Order No. PSC-2023-0343-FOF-EI.

<sup>24</sup>Document No. 01668-2024.

Bill Impacts

In Table 1 below, the bill impact of the mid-course correction on a residential customer using 1,000 kWh of electricity a month is shown. Following Table 1, we address the impacts of the mid-course correction on non-residential customers.

Table 1  
Duke Energy Florida, LLC  
Monthly Residential Billing Detail for the First 1,000 kWh

| Invoice Component            | Currently<br>Approved<br>Charges<br>May 2024<br>(\$) | Approved<br>Charges<br>Beginning<br>June 2024<br>(\$) | Difference<br>(\$) | Difference<br>(%) |
|------------------------------|--|---|--------------------|-------------------|
| Base Charge                  | \$81.19  | \$81.19   | \$0.00             | 0.0%              |
| Fuel Charge                  | 49.47  | 43.72   | (5.75)             | (11.6%)           |
| Capacity Charge              | 9.46   | 9.46  | 0.00               | 0.0%              |
| Conservation Charge          | 3.30   | 3.30  | 0.00               | 0.0%              |
| Environmental Charge         | 0.46   | 0.46  | 0.00               | 0.0%              |
| Storm Protection Plan Charge | 5.10   | 5.10  | 0.00               | 0.0%              |
| Storm Restoration Surcharge  | 5.09   | 5.09  | 0.00               | 0.0%              |
| Asset Securitization Charge  | 2.36   | 2.36  | 0.00               | 0.0%              |
| Gross Receipts Tax           | 4.15   | 4.00  | (0.15)             | (3.6%)            |
| <b>Total</b>                 | <b>\$160.58</b>                                      | <b>\$154.68</b>                                       | <b>(\$5.90)</b>    | <b>(3.7%)</b>     |

Source: Document No. 01668-2024.

DEF's currently approved total residential charge for the first 1,000 kWh of usage for May 2024 is \$160.58. Under the approved mid-course correction calculations, the current total residential charge for the first 1,000 kWh of usage beginning in June will be \$154.68, a decrease of 3.7 percent. For non-residential customers, DEF reported that bill decreases based on average levels of usage for small-size commercial customers would be 3.6 percent, 4.5 percent for medium-size commercial customers, 4.8 percent for large-size commercial customers, and 7.0 percent for industrial customers.<sup>25</sup>

DEF's MCC Petition indicates a need for its fuel cost recovery factors to be revised. More specifically, the Company's underlying 2024 projected fuel-related revenue requirement has been reduced by \$252,698,582. Additionally, the Company proposes to incorporate its 2023 period-specific final under-recovery of (\$19,202,150) into the current period. Thus, DEF's current fuel cost recovery factors shall be reduced by \$233,496,431. Sales from June 2024 through May 2025 shall be used to develop the revised/mid-course correction fuel factors. The revised fuel cost recovery factors associated with our decision are shown on Appendix A.

<sup>25</sup>Document No. 01787-2024.

We therefore authorize adjustments to DEF's fuel cost recovery factors for the purpose of incorporating the Company's currently projected 2024 net fuel cost reduction. Accordingly, DEF's 2024 fuel cost recovery factors shall be reduced by \$233,496,431.

Effective date

Over the last 20 years in the Fuel Clause docket, we have considered the effective date of rates and charges of revised fuel cost factors on a case-by-case basis. We have approved rate decreases to be effective less than 30 days after the date of our vote because the rate decrease was in the customers' best interest to be implemented as soon as possible.<sup>26</sup> In its MCC Petition, DEF proposes to decrease its 2024 fuel factors beginning with the first billing cycle of June 2024.

In response to our Staff's First Data Request, DEF indicated that it would provide a message on June customer bills that includes a link to the Company's website explaining the proposed rate decrease.<sup>27</sup> Further, on April 8, 2024, an email notification was sent to large account customers explaining the proposal. A press release was also issued by the Company on that same day informing its customers and general public of the potential adjustments related to the mid-course correction proposal.<sup>28</sup>

We therefore find that the fuel cost recovery factors, as shown on Appendix A, shall become effective with the first billing cycle of June 2024.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that adjustments shall be made to Duke Energy Florida, LLC's fuel cost recovery factors for the purpose of incorporating the Company's currently projected 2024 net fuel cost reduction. Accordingly, DEF's 2024 fuel cost recovery factors shall be reduced by \$233,496,431. It is further

ORDERED that the fuel cost recovery factors, as shown on Appendix A to this order, shall become effective with the first billing cycle of June 2024. It is further

ORDERED that the fuel and purchased power cost recovery clause docket is an ongoing proceeding and shall remain open.

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<sup>26</sup>Order No. PSC-2024-0091-PCO-EI, issued April 10, 2024, in Docket No. 20240001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor.*

<sup>27</sup>Document No. 01787-2024.

<sup>28</sup>*Id.*

By ORDER of the Florida Public Service Commission this 24th day of May, 2024.



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ADAM J. TEITZMAN

Commission Clerk

Florida Public Service Commission

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Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

RPS

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: (1) reconsideration within 10 days pursuant to Rule 25-22.0376, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Office of Commission Clerk, in the form prescribed by Rule 25-22.0376, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.



SECTION NO. VI  
 ONE HUNDRED AND FOURTH ~~FIFTH~~ REVISED SHEET NO. 6.105  
 CANCELS ONE HUNDRED AND THIRD ~~FOURTH~~ REVISED SHEET

NO. 6.105

RATE SCHEDULE BA-1  
 BILLING ADJUSTMENTS

Applicable:

To the Rate Per Month provision in each of the Company's filed rate schedules which reference the billing adjustments set forth below.

| COST RECOVERY FACTORS                                |   |        |                    |        |                     |                    |                       |        |                     |
|--|---|--------|--------------------|--------|---------------------|--------------------|-----------------------|--------|---------------------|
| Rate Schedule/Metering Level                         | ECCR <sup>(2)</sup>                           |        | CCR <sup>(2)</sup> |        | ECRC <sup>(6)</sup> | ASC <sup>(5)</sup> | SPPCRC <sup>(6)</sup> |        | SCRS <sup>(7)</sup> |
|  | ¢/ kWh  | \$/ kW | ¢/ kWh             | \$/ kW | ¢/ kWh              | ¢/ kWh             | ¢/ kWh                | \$/ kW | ¢/ kWh              |
| RS-1, RST-1, RSL-1, RSL-2 (Sec.)<br>< 1000<br>> 1000 | 0.330   | -      | 0.046              | -      | 0.046               | 0.236              | 0.510                 | -      | 0.509               |
| GS-1, GST-1<br>Secondary                             | 0.290   | -      | 0.816              | -      | 0.044               | 0.204              | 0.494                 | -      | 0.443               |
| Primary  | 0.287   | -      | 0.808              | -      | 0.044               | 0.202              | 0.489                 | -      | 0.439               |
| Transmission   | 0.284   | -      | 0.800              | -      | 0.043               | 0.200              | 0.484                 | -      | 0.434               |
| GS-2 (Sec.)  | 0.227   | -      | 0.597              | -      | 0.042               | 0.141              | 0.231                 | -      | 0.221               |
| GSD-1, GSDT-1, SS-1*<br>Secondary                    | -   | 0.93   | -                  | 2.53   | 0.043               | 0.176              | -                     | 1.34   | 0.329               |
| Primary  | -   | 0.92   | -                  | 2.50   | 0.043               | 0.174              | -                     | 1.31   | 0.326               |
| Transmission   | -   | 0.91   | -                  | 2.48   | 0.042               | 0.172              | -                     | 0.25   | 0.322               |
| CS-2, CST-2, CS-3, CST-3, SS-3*<br>Secondary         | -   | 0.79   | -                  | 2.06   | 0.041               | 0.120              | -                     | 2.11   | 0.329               |
| Primary  | -   | 0.78   | -                  | 2.03   | 0.041               | 0.119              | -                     | 2.09   | 0.326               |
| Transmission   | -   | 0.77   | -                  | 2.01   | 0.040               | 0.118              | -                     | 2.07   | 0.322               |
| IS-2, IST-2, SS-2*<br>Secondary                      | -   | 0.76   | -                  | 1.99   | 0.041               | 0.143              | -                     | 1.02   | 0.161               |
| Primary  | -   | 0.75   | -                  | 1.97   | 0.041               | 0.142              | -                     | 0.83   | 0.159               |
| Transmission   | -   | 0.74   | -                  | 1.95   | 0.040               | 0.140              | -                     | 0.19   | 0.158               |
| LS-1 (Sec.)  | 0.117   | -      | 0.237              | -      | 0.037               | 0.056              | 0.373                 | -      | 0.422               |
| *SS-1, SS-2, SS-3<br>Monthly<br>Secondary            | -   | 0.090  | -                  | 0.244  | -                   | -                  | -                     | 0.119  | -                   |
| Primary  | -   | 0.089  | -                  | 0.242  | -                   | -                  | -                     | 0.118  | -                   |
| Transmission   | -   | 0.088  | -                  | 0.239  | -                   | -                  | -                     | 0.117  | -                   |
| Daily<br>Secondary                                   | -   | 0.043  | -                  | 0.116  | -                   | -                  | -                     | 0.057  | -                   |
| Primary  | -   | 0.043  | -                  | 0.115  | -                   | -                  | -                     | 0.056  | -                   |
| Transmission   | -   | 0.042  | -                  | 0.114  | -                   | -                  | -                     | 0.056  | -                   |
| GSLM-1, GSLM-2                                       | See appropriate General Service rate schedule |        |                    |        |                     |                    |                       |        |                     |

| Fuel Cost Recovery <sup>(3)</sup>     |            |            |            |                |  |
|---------------------------------------|------------|------------|------------|----------------|--|
| Rate Schedule/Metering Level          | Levelized  | On-Peak    | Off-Peak   | Super-Off-Peak |  |
|                                       | ¢/ kWh     | ¢/ kWh     | ¢/ kWh     | ¢/ kWh         |  |
| RS-1 Only < 1,000                     | 4.9424 372 | N/A        | N/A        | N/A            |  |
| RS-1 Only > 1,000                     | 6.0125 442 | N/A        | N/A        | N/A            |  |
| LS-1 Only Secondary                   | 4.5994 343 | N/A        | N/A        | N/A            |  |
| All Other Rate Schedules Secondary    | 4.3424 670 | 6.7085 068 | 6.2844 703 | 3.7363 326     |  |
| All Other Rate Schedules Primary      | 5.1064 623 | 6.8905 008 | 6.2944 655 | 3.8003 292     |  |
| All Other Rate Schedules Transmission | 6.1424 577 | 6.6745 849 | 6.1784 609 | 3.6613 259     |  |

(Continued on Page No. 2)

ISSUED BY: Thomas G. Foster, Vice President, Rates & Regulatory Strategy – FL

EFFECTIVE: ~~March 1, 2024~~ June 1, 2024