

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for a limited proceeding to
approve first solar base rate adjustment, by
Duke Energy Florida, LLC.

DOCKET NO. 20250034-EI
ORDER NO. PSC-2025-0212-PAA-EI
ISSUED: June 18, 2025

The following Commissioners participated in the disposition of this matter:

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

NOTICE OF PROPOSED AGENCY ACTION
ORDER GRANTING DUKE ENERGY FLORIDA, LLC'S PETITION FOR
APPROVAL OF FIRST SOLAR BASE RATE ADJUSTMENT

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code (F.A.C.).

Background

By Order No. PSC-2024-0472-AS-EI, issued on November 12, 2024, we approved Duke Energy Florida, LLC's (DEF or Company) 2024 Settlement Agreement (2024 Settlement).¹ Paragraph 16 of the 2024 Settlement allows for the inclusion, in base rates, of up to 900 megawatts (MW) of solar generation through a Solar Base Rate Adjustment (SoBRA). Pursuant to the 2024 Settlement, DEF will construct approximately 300 MW, per calendar year, of solar generation that must meet certain criteria for inclusion in base rates.

On February 21, 2025, DEF filed a limited proceeding with us to seek approval of four solar projects, collectively referred to as the First SoBRA Tranche. The solar projects include: Sundance in Madison County, Rattler in Hernando County, Half Moon in Sumter County, and Bailey Mill in Jefferson County, with a total installed capacity of approximately 300 MW. As each of the solar facilities is below 75 MW, our decision is limited based on the 2024 Settlement regarding the reasonableness and cost-effectiveness of the solar generation projects.

¹ Order No. PSC-2024-0472-AS-EI, issued November 12, 2024, in Docket No. 20240025-EI, *In re: Petition for rate increase by Duke Energy Florida, LLC*.

We have jurisdiction pursuant to Sections 366.06, 366.076, and 366.92, Florida Statutes (F.S.).

Decision

I. DEF's First SoBRA Tranche

In its petition, DEF proposes the addition of four solar generating facilities, each rated at 74.9 MW. The following table provides the estimated in-service dates, estimated rate effective date and estimated installed cost for each project. The variation in installed costs is primarily due to network upgrades and solar supporting equipment (balance of system).

Table 1
First SoBRA Projects

<u>Project Name</u>	<u>Sundance</u>	<u>Rattler</u>	<u>Half-Moon</u>	<u>Bailey Mill</u>
In-Service Date	July 2025	January 2026	January 2026	May 2026
Installed Cost (\$M)	\$110.9	\$137.6	\$145.2	\$127.7
Rate Effective Date	August 2025	February 2026	February 2026	June 2026

Source: Document No. 01084-2025.

Subparagraph 16(c) of the 2024 Settlement states that the reasonableness and cost-effectiveness of the SoBRA project(s) shall be evaluated based only on whether the projects in the SoBRA will (1) lower the projected system cumulative present value of revenue requirements (CPVRR) as compared to a system CPVRR without the solar projects (also known as the 'base case'); (2) whether CPVRR of the solar projects show positive benefits that exceed costs within ten years; (3) whether the solar projects meet a 1.15 to 1 benefit to cost ratio; and (4) whether the solar projects are 100 percent dedicated to serve DEF's retail load.

The CPVRR compares the cost of the added generation, transmission, operations and maintenance (O&M) and other expenses of the proposed solar project(s) to the avoided traditional generation, transmission, fuel, and O&M expenses that would otherwise have been incurred if the facilities had not been constructed. As part of its analysis, DEF produced resource plans for both the SoBRA case and the Base Case, including additions of solar, batteries, natural gas, and small modular nuclear reactors (SMRs) as future units. The primary difference between the resource plans for the First SoBRA Tranche is the amount and timing of battery storage capacity starting in 2028, and in the base case only, the addition of a combustion turbine in 2035.

Exhibit No. BMHB-4 of DEF's petition shows a net system benefit of \$253 million over the life of the First SoBRA Tranche. In response to staff's data request, DEF provided the annual values for each category and we determined that on a CPVRR basis the solar projects become cost-effective in 2035, or one year earlier than the ten-year requirement of the 2024 Settlement. In addition, Exhibit No. BMHB-4 of DEF's petition shows \$742.4 million avoided costs (including fuel, emissions, O&M, gas transportation, and capital) and \$182.1 million of production tax credits due to the added solar projects for a total of \$924.4 million in benefits. The same exhibit shows the costs of the solar projects are \$671.4 million, including capital, transmission, and O&M costs, resulting in a benefit to cost ratio of 1.38, which exceeds the

minimum criteria in the 2024 Settlement. Finally, based on DEF's response to staff's data requests the solar projects appear to be dedicated to serve DEF's retail load since all solar projects are listed in the resource plan required to meet a minimum reserve capacity of 20 percent.

The First SoBRA Tranche will lower DEF's system CPVRR by approximately \$253 million with benefits beginning in 2035, and has a total benefit to cost ratio of 1.38. The First SoBRA Tranche will also be 100 percent dedicated to serve retail load. Therefore, the First SoBRA Tranche is reasonable and cost-effective in accordance with the criteria of subparagraph 16(c) of the 2024 Settlement, and shall be approved for inclusion in base rates through the SoBRA mechanism.

II. Annual Revenue Requirement

Pursuant to the 2024 Settlement, DEF was authorized to establish a SoBRA mechanism to recover the costs associated with constructing 300 MW of solar generation annually, from 2025 through 2027. The SoBRA mechanism allows DEF to file a petition for approval of groups of solar generation projects in separate dockets, filed closer to their respective in-service dates, in order to ensure more accurate and current cost projections.

The Company requested we approve an annual revenue requirement based on the projected installed cost of four projects, Bailey Mill Solar Center, Rattler Solar Center, Half Moon Solar Center, and Sundance Solar Center, in its first SoBRA. The estimated in-service date for the facilities is July 2025 (Sundance), January 2026 (Rattler and Half Moon), and May 2026 (Bailey Mill). The projected annual revenue requirement includes the Clean Energy Connection expansion revenues of \$7.5 million, pursuant to Paragraph 16a of the 2024 Settlement.

The revenue requirement for DEF's SoBRA is based on a projected plant cost to determine rate base and the required net operating income. The net operating income includes operation and maintenance expenses, depreciation expenses, financing costs, insurance costs, and taxes, as well as a debit of \$7.5 million per project, for the Clean Energy Connection, which results in a net increase in the revenue requirement of each project. The proposed annual revenue requirement associated with DEF's First SoBRA is \$73.3 million, based on a total rate base of \$498.4 million and a net operating income of \$54.6 million. Table 2-1 reflects the calculated revenue requirement for each individual project.

Table 2
DEF First SoBRA Annual Revenue Requirement (\$000)

	Sundance	Rattler	Half Moon	Bailey Mill
Rate Base	\$108,541	\$130,000	\$135,401	\$124,535
Rate of Return	6.700%	6.740%	6.740%	6.740%
NOI Required	<u>7,272</u>	<u>8,762</u>	<u>9,126</u>	<u>8,394</u>
NOI Achieved	(4,910)	(5,419)	(5,579)	(5,068)
NOI Deficiency/Excess	<u>12,182</u>	<u>14,181</u>	<u>14,705</u>	<u>13,462</u>
NOI Multiplier	1.343	1.344	1.344	1.344
Revenue Requirement	<u>\$16,364</u>	<u>\$19,054</u>	<u>\$19,758</u>	<u>\$18,093</u>

Source: Prepared Direct Testimony and Exhibit of DEF witness Olivier, Exhibit MJO-1.

The estimated annual revenue requirement associated with DEF's First SoBRA Tranche is \$73.3 million.

III. Administrative Authority to Approve Tariffs

Witness Olivier stated in her testimony that DEF will file the rate adjustments and tariff sheets for our confirmation approximately two months prior to the effective date of each of the rate adjustments. The expected rate adjustment effective dates for the solar projects are August 2025 (Sundance), February 2026 (Rattler and Half Moon), and June 2026 (Bailey Mill).

In response to Commission staff's second data request, DEF provided preliminary approximate base rate impacts on the 1,000 kWh residential bill for the four solar projects as follows: Sundance (\$0.47), Rattler (\$0.56), Half Moon (\$0.56), and Bailey Mill (\$0.51).² DEF stated that all of these solar projects will provide fuel savings. Based on the cost per kWh of natural gas in DEF's 2025 fuel projection filing, DEF estimates a fuel savings of approximately \$0.17 per solar plant.³

We hereby grant Commission staff administrative authority to approve the tariffs and associated charges as they are submitted by DEF. DEF shall file tariffs and supporting calculations two months prior to the effective date of each solar rate base adjustment. DEF shall also submit a letter to us declaring the commercial operation date of each solar facility prior to any base rate changes going into effect.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the Petition for a limited proceeding to approve first solar base rate adjustment, filed by Duke Energy Florida, LLC, is approved as set forth herein. It is further

ORDERED that Commission staff shall have administrative authority to approve tariffs and associated charges for the First SoBRA Tranche as they are submitted by Duke Energy

² Response to Staff's Second Data Request, Response No. 1.

³ Response to Staff's Second Data Request, Response No. 1.

Florida, LLC. DEF shall also submit a letter to this Commission declaring the commercial operation date of each solar facility prior to any base rate changes going into effect. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that if no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order shall be issued. This docket shall remain open pending DEF's letters confirming commercial operation. Once these letters have been received, this docket shall be closed administratively.

By ORDER of the Florida Public Service Commission this 18th day of June, 2025.



ADAM J. TEITZMAN
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
(850) 413-6770
www.floridapsc.com

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

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 that is available under Section 120.57, 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 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.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on July 9, 2025.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this/these docket(s) before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.