

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for limited proceeding for recovery of incremental storm restoration costs related to Hurricanes Elsa, Eta, Isaias, Ian, Nicole, and Tropical Storm Fred, by Duke Energy Florida, LLC.

DOCKET NO. 20230020-EI
ORDER NO. PSC-2023-0111-PCO-EI
ISSUED: March 23, 2023

The following Commissioners participated in the disposition of this matter:

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

ORDER APPROVING DUKE ENERGY FLORIDA, LLC'S
INTERIM STORM COST RECOVERY CHARGE

BY THE COMMISSION:

BACKGROUND

On January 23, 2023, Duke Energy Florida, LLC (DEF or Company) filed a petition for a limited proceeding seeking authority to implement an interim storm restoration recovery charge to recover \$442.1 million for the incremental restoration costs related to Hurricanes Elsa, Eta, Ian, Isaias, and Nicole and Tropical Storm Fred, as well as to replenish its storm reserve. This amount includes approximately \$4.5 million in interest.

DEF filed its petition pursuant to the provisions of the 2017 Second Revised and Restated Settlement Agreement (2017 Settlement) approved by Order No. PSC-2017-0451-AS-EU and the 2021 Settlement Agreement (2021 Settlement) approved by Order No. PSC-2021-0202-AS-EI.¹ Pursuant to Order No. PSC-2021-0425-FOF-EI (2021 Rate Mitigation Agreement), DEF charged the remaining uncollected storm restoration costs resulting from Hurricanes Eta and Isaias, estimated at \$9.2 million, to the storm reserve, while reserving the right to collect the remainder of the unrecovered storm cost balance at a later time.² DEF also voluntarily agreed to forego recovering costs related to Hurricane Elsa through a storm surcharge and instead reserved the right to collect an estimated \$15 to \$18 million of storm restoration costs at a later date. As a result of the 2021 Rate Mitigation Agreement, DEF deferred collection of approximately \$24.4 million in storm-related costs. DEF is now seeking to recover those costs as part of its petition. Pursuant to the 2017 Settlement and 2021 Settlement, the Company can recover storm costs,

¹Order No. PSC-2017-0451-AS-EU, issued November 20, 2017, in Docket No. 20170183-EI, *In re: Application for limited proceeding to approve 2017 second revised and restated settlement agreement, including certain rate adjustments, by Duke Energy Florida, LLC.* and Order No. PSC-2021-0202-AS-EI, issued June 4, 2021, in Docket No. 20210016-EI, *In re: Petition for limited proceeding to approve 2021 settlement agreement, including general base rate increases, by Duke Energy Florida, LLC.*

²Order No. PSC-2021-0425-FOF-EI, issued November 16, 2021, in Docket No. 20210158-EI, *In re: Limited proceeding to consider Duke Energy Florida, LLC's unopposed motion to approve rate mitigation agreement.*

without a cap on the level of charges on customer bills, on an interim basis beginning 60 days following the filing of a petition for recovery. DEF has proposed interim storm restoration charges applicable to all rate classes over a 12-month recovery period, effective with the first billing cycle of April 2023.

We have jurisdiction over this matter pursuant to Sections 366.04, 366.05, 366.06, and 366.076, Florida Statutes.

DECISION

DEF filed a petition for a limited proceeding seeking authority to implement an interim storm restoration recovery charge to recover \$442.1 million for the incremental restoration costs related to Hurricanes Elsa, Eta, Ian, Isaias, Nicole and Tropical Storm Fred, and to replenish its storm reserve. In its petition, DEF requested to replenish the storm reserve to \$131.9 million.

The petition was filed pursuant to the provisions of the 2017 Settlement approved by Order No. PSC-2017-0451-AS-EU and 2021 Settlement approved by Order No. PSC-2021-0202-AS-EI.³ Storm restoration costs for Eta, Elsa, Isaias, and Fred were incurred while the 2017 Settlement Agreement was in effect. Storm restoration costs for Ian and Nicole were incurred during the term of the 2021 Settlement Agreement. The Storm Cost Recovery provisions of the respective Settlement Agreements are identical. Pursuant to Paragraph 38 of the 2017 Settlement and Paragraph 30c of the 2021 Settlement, DEF can begin recovery of storm costs, without a cap, 60 days following the filing of a petition for recovery. DEF has proposed an interim storm recovery charge of \$13.14 per 1,000 kilowatt-hours (kWh) on a residential customer bill over a 12-month recovery period effective the first billing cycle of April 2023.

In its petition, DEF stated that it incurred total retail recoverable costs of approximately \$442.1 million as a result of Hurricanes Elsa, Eta, Ian, Isaias, and Nicole and Tropical Storm Fred, as well as to replenish its storm reserve. The Company further stated that this amount was calculated in accordance with the Incremental Cost and Capitalization Approach methodology prescribed in Rule 25-6.0143, Florida Administrative Code.

The approval of an interim storm restoration recovery charge is preliminary in nature and is subject to refund pending further review once the total actual storm restoration costs are known. After the actual costs are reviewed for prudence and reasonableness, and are compared to the actual amount recovered through the interim storm restoration recovery charge, a determination will be made whether any over/under recovery has occurred. The disposition of any over/under recovery, and associated interest, will be considered by this Commission at a later date.

Based on a review of the information provided by DEF in its petition, we hereby authorize the Company to implement an interim storm restoration recovery charge subject to

³Order No. PSC-2017-0451-AS-EU, issued November 20, 2017, in Docket No. 20170183, *In re: Application for limited proceeding to approve 2017 second revised and restated settlement agreement, including certain rate adjustments, by Duke Energy Florida, LLC.* and Order No. PSC-2021-0202-AS-EI, issued June 4, 2021, in Docket No. 20210016-EI, *In re: Petition for limited proceeding to approve 2021 settlement agreement, including general base rate increases, by Duke Energy Florida, LLC.*

refund. Once the total actual storm costs are known, DEF shall be required to file documentation of the storm costs for our review and true-up of any excess or shortfall.

All funds collected subject to refund shall be secured by a corporate undertaking. The criteria for a corporate undertaking include sufficient liquidity, ownership equity, profitability, and interest coverage to guarantee any potential refund. DEF requested a 12-month collection period from April 2023 to March 2024 for Interim Storm Cost Recovery Charges of \$442,074,721 related to Hurricanes Elsa, Eta, Ian, Isaias, Nicole and Tropical Storm Fred. We have reviewed DEF's three most recent annual reports filed with us (2021, 2020, and 2019) to determine if the Company can support a corporate undertaking to guarantee the funds collected for recovery of incremental storm restoration costs related to all the weather events. DEF's financial information indicates the Company's liquidity is deficient, that is, that current assets are less than current liabilities. However, the Company participates in Duke Energy Corporation's (DEF's parent company) money pool and has access to additional funds if needed. In addition, DEF's ownership equity, profitability, and interest coverage are sufficient to support a potential refund of \$442 million. Moreover, it is improbable DEF will be required to refund the entire requested amount.

For these reasons we find that DEF has adequate resources to support a corporate undertaking in the amount requested and that a corporate undertaking of \$442 million is appropriate. This brief financial analysis is only appropriate for deciding if the Company can support a corporate undertaking in the amount proposed and was not considered in our evaluation of other issues in this proceeding.

DEF is seeking approval of interim storm cost recovery surcharges associated with Hurricanes Elsa, Eta, Isaias, Ian, Nicole, and Tropical Storm Fred as shown in proposed Tariff Sheet Nos. 6.105 and 6.106, found in Attachment A to this order. The surcharges would be applicable to all rate classes. Tariff Sheet No 6.105 indicates the proposed interim storm cost recovery surcharges and Tariff Sheet No. 6.106 defines the storm cost recovery surcharge.

DEF explained that it has allocated the storm cost recovery amount to the rate classes consistent with the rate design approved in the 2021 Settlement.⁴ We have reviewed the storm cost recovery allocation and calculation of rates and it appears that DEF has calculated rates in accordance with the 2021 Settlement, using the most recent load research study and projected billing determinants for the recovery period.

The interim storm restoration recovery charge calculations are shown on pages 9 and 10 in Appendix A to DEF's petition. For residential customers, the surcharge would be 1.314 cents per kWh, which would equate to \$13.14 on a 1,000 kWh residential bill. If approved by this Commission, the storm cost recovery surcharge would be included in the non-fuel energy charge on customer bills.

Based on our review, we hereby approve DEF's proposed interim storm restoration recovery charge tariff, as shown on Attachment A to this order, effective with the first billing

⁴ Order No. PSC-2021-0202-AS-EI, issued June 4, 2021, in Docket No. 20210016-EI, *In re: Petition for limited proceeding to approve 2021 settlement agreement, including general base rate increases, by Duke Energy Florida, LLC.*

cycle of April 2023 and ending the earlier of full recovery or with the last billing cycle of March 2024, whichever occurs first. Furthermore, we find that the interim storm restoration recovery charge shall be subject to a final true-up.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Duke Energy Florida, LLC's limited petition for recovery of incremental storm restoration costs related to Hurricanes Elsa, Eta, Isaias, Nicole, and Tropical Storm Fred through the implementation of an interim storm restoration recovery charge subject to refund is hereby granted. Once the total actual storm costs are known, DEF shall file documentation of the total storm costs for our review and true-up of any excess or shortfall. It is further

ORDERED that Duke Energy Florida, LLC's proposed interim storm restoration recovery charge tariff, as shown on Attachment A of this order, is hereby approved effective with the first billing cycle of April 2023 and ending the earlier of full recovery or with the last billing cycle of March 2024, whichever occurs first. This interim storm restoration recovery charge shall be subject to final true-up. It is further

ORDERED that the appropriate security to guarantee the funds collected subject to refund is a corporate undertaking in the amount of \$442 million. It is further

ORDERED that this docket shall remain open pending final reconciliation of actual recoverable storm costs with the amount collected pursuant to the interim storm restoration recovery charge and the calculation of a refund or additional charge if warranted.

By ORDER of the Florida Public Service Commission this 23rd day of March, 2023.



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

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 FIRSTTH REVISED SHEET NO. 6.105
 CANCELS NINETY-NINONE HUNDREDTH REVISED SHEET NO. 6.105

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**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 ⁽²⁾		CCR ⁽³⁾		ECRC ⁽⁴⁾	ASC ⁽⁵⁾	SPPCRC ⁽⁶⁾		SCRS ⁽⁷⁾
	¢/ kWh	\$/ kW	¢/ kWh	\$/ kW	¢/ kWh	¢/ kWh	¢/ kWh	\$/ kW	¢/ kWh
RS-1, RST-1, RSL-1, RSL-2 (Sec.) < 1000 > 1000	0.320	-	<u>4.3281.2</u> 85	-	0.022	0.199	0.414	-	<u>-1.314</u>
GS-1, GST-1 Secondary	0.288	-	<u>4.1731.1</u> 38	-	0.021	0.175	0.401	-	<u>-1.312</u>
Primary	0.285	-	<u>4.4641.1</u> 27	-	0.021	0.173	0.397	-	<u>-1.299</u>
Transmission	0.282	-	<u>4.1501.1</u> 15	-	0.021	0.172	0.393	-	<u>-1.286</u>
GS-2 (Sec.)	0.217	-	<u>0.8220.7</u> 95	-	0.018	0.124	0.188	-	<u>-0.582</u>
GSD-1, GSDT-1, SS-1* Secondary	-	0.85	-	<u>3.373.26</u>	0.020	0.151	-	1.05	<u>-0.941</u>
Primary	-	0.84	-	<u>3.343.23</u>	0.020	0.149	-	1.01	<u>-0.932</u>
Transmission	-	0.83	-	<u>3.303.19</u>	0.020	0.148	-	0.19	<u>-0.922</u>
CS-2, CST-2, CS-3, CST-3, SS-3* Secondary	-	0.46	-	<u>4.671.61</u>	0.016	0.097	-	0.98	<u>-1.611</u>
Primary	-	0.46	-	<u>4.651.59</u>	0.016	0.096	-	0.97	<u>-1.595</u>
Transmission	-	0.45	-	<u>4.641.58</u>	0.016	0.095	-	0.96	<u>-1.579</u>
IS-2, IST-2, SS-2* Secondary	-	0.70	-	<u>2.682.60</u>	0.018	0.124	-	0.80	<u>-0.421</u>
Primary	-	0.69	-	<u>2.662.57</u>	0.018	0.123	-	0.59	<u>-0.417</u>
Transmission	-	0.69	-	<u>2.642.55</u>	0.018	0.122	-	0.14	<u>-0.413</u>
LS-1 (Sec.)	0.116	-	<u>0.3440.3</u> 30	-	0.014	0.050	0.306	-	<u>-1.166</u>
*SS-1, SS-2, SS-3 Monthly Secondary	-	0.082	-	<u>0.3250.3</u> 14	-	-	-	0.094	-
Primary	-	0.081	-	<u>0.3220.3</u> 11	-	-	-	0.093	-
Transmission	-	0.080	-	<u>0.3190.3</u> 08	-	-	-	0.092	-
Daily Secondary	-	0.039	-	<u>0.4550.1</u> 50	-	-	-	0.045	-
Primary	-	0.039	-	<u>0.4530.1</u> 48	-	-	-	0.045	-
Transmission	-	0.038	-	<u>0.4520.1</u> 47	-	-	-	0.044	-
GSLM-1, GSLM-2	See appropriate General Service rate schedule								

Fuel Cost Recovery ⁽¹⁾					
Rate Schedule/Metering Level		Levelized	On-Peak	Off-Peak	Super-Off-Peak
		¢/ kWh	¢/ kWh	¢/ kWh	¢/ kWh
RS-1 Only	< 1,000	<u>5.9647.953</u>	N/A	N/A	N/A
RS-1 Only	> 1,000	<u>7.9349.023</u>	N/A	N/A	N/A
LS-1 Only	Secondary	<u>5.8657.751</u>	N/A	N/A	N/A
All Other Rate Schedules	Secondary	<u>6.2688.281</u>	<u>7.69510.169</u>	<u>6.3048.331</u>	<u>4.6746.178</u>

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

EFFECTIVE: ~~March 1, 2023~~ April 1, 2023



SECTION NO. VI
ONE HUNDRED AND FIRST~~TH~~ REVISED SHEET NO. 6.105
CANCELS NINETY-NINE HUNDRED~~TH~~ REVISED SHEET NO. 6.105

All Other Rate Schedules	Primary	6.2038,198	7.61710,067	6.2408,247	4.6276,116	Page 2 of 3
All Other Rate Schedules	Transmission	6.1448,115	7.5449,965	6.1788,164	4.5846,054	

(Continued on Page No. 2)

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

EFFECTIVE: ~~March 1, 2023~~ April 1, 2023



SECTION NO. VI
THIRTY-THIRD-FOURTH REVISED SHEET NO. 6.106
CANCELS THIRTY-SECOND-THIRD REVISED SHEET NO. 6.106

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RATE SCHEDULE BA-1
BILLING ADJUSTMENTS
(Continued from Page 1)

- (1) **Fuel Cost Recovery Factor:**
The Fuel Cost Recovery Factors applicable to the Fuel Charge under the Company's various rate schedules are normally determined annually by the Florida Public Service Commission for the billing months of January through December. These factors are designed to recover the costs of fuel and purchased power (other than capacity payments) incurred by the Company to provide electric service to its customers and are adjusted to reflect changes in these costs from one period to the next. Revisions to the Fuel Cost Recovery Factors within the described period may be determined in the event of a significant change in costs.
- (2) **Energy Conservation Cost Recovery Factor:**
The Energy Conservation Cost Recovery (ECCR) Factor applicable to the Energy Charge under the Company's various rate schedules is normally determined annually by the Florida Public Service Commission for twelve-month periods beginning with the billing month of January. This factor is designed to recover the costs incurred by the Company under its approved Energy Conservation Programs and is adjusted to reflect changes in these costs from one period to the next. For time of use demand rates the ECCR charge will be included in the monthly max demand only.
- (3) **Capacity Cost Recovery Factor:**
The Capacity Cost Recovery (CCR) Factors applicable to the Energy Charge under the Company's various rate schedules are normally determined annually by the Florida Public Service Commission for the billing months of January through December. This factor is designed to recover the cost of capacity payments made by the Company for off-system capacity and is adjusted to reflect changes in these costs from one period to the next. For time of use demand rates the CCR charge will be included in the monthly max demand only.
- (4) **Environmental Cost Recovery Clause Factor:**
The Environmental Cost Recovery Clause (ECRC) Factors applicable to the Energy Charge under the Company's various rate schedules are normally determined annually by the Florida Public Service Commission for the billing months of January through December. This factor is designed to recover environmental compliance costs incurred by the Company and is adjusted to reflect changes in these costs from one period to the next.
- (5) **Asset Securitization Charge Factor:**
The Asset Securitization Charge (ASC) Factors applicable to the Energy Charge under the Company's various rate schedules represent a Nuclear Asset-Recovery Charge approved in a financing order issued to the Company by the Florida Public Service Commission and are adjusted at least semi-annually to ensure timely payment of principal, interest and financing costs of nuclear asset-recovery bonds from the effective date of the ASC until the nuclear asset-recovery bonds have been paid in full or legally discharged and the financing costs have been fully recovered. As approved by the Commission, a Special Purpose Entity (SPE) has been created and is the owner of all rights to the Nuclear Asset-Recovery Charge. The Company shall act as the SPE's collection agent or servicer for the Nuclear Asset-Recovery Charge. The Nuclear Asset-Recovery Charge shall be paid by all existing or future customers receiving transmission or distribution service from the Company or its successors or assignees under Commission-approved rate schedules or under special contracts, even if the customer elects to purchase electricity from alternative electric suppliers following a fundamental change in regulation of public utilities in this state.
- (6) **Storm Protection Plan Cost Recovery Clause Factor:**
The Storm Protection Plan Cost Recovery Clause (SPPCRC) Factors applicable to the Energy Charge under the Company's various rate schedules are normally determined annually by the Florida Public Service Commission for the billing months of January through December. This factor is designed to recover storm protection plan costs incurred by the Company and is adjusted to reflect changes in these costs from one period to the next. For time of use demand rates the SPPCRC charge will be included in the monthly max demand only.
- (7) **Storm Cost Recovery Surcharge Factor:**
In accordance with a Florida Public Service Commission ruling, the Storm Cost Recovery Surcharge (SCRS) factor is applicable to the Energy Charge under the Company's various rate schedules for the billing months of ~~August 2024 through July 2022~~ April 2023 through March 2024. This surcharge is designed to recover ~~storm-related restoration costs, replenishment of the storm reserve, and interest incurred by the Company related to Hurricanes Eta and Isaias in 2020~~ restoration costs, replenishment of the storm reserve, and interest incurred by the Company related to Hurricanes Eta and Isaias in 2020 ~~Elsa, Eta, Ian, Isaias, Nicole, and Tropical Storm Fred.~~
- Gross Receipts Tax Factor:**
In accordance with Section 203.01(1)(a)1 of the Florida Statutes, a factor of 2.5641% is applicable to electric sales charges for collection of the state Gross Receipts Tax.
- Regulatory Assessment Fee Factor:**
In accordance with Section 350.113 of the Florida Statutes and Rule 25-6.0131, F.A.C., a factor of 0.072% is applicable to gross operating sales charges for collection of the Regulatory Assessment Fee.

(Continued on Page No. 3)

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

EFFECTIVE: ~~January 1, 2023~~ April 1, 2023