

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for limited proceeding for recovery of incremental storm restoration costs related to Hurricane Idalia, by Duke Energy Florida, LLC.

DOCKET NO. 20230116-EI

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-2023-0375-PCO-EI
ISSUED: December 19, 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 recover \$442.1 million for the incremental storm restoration costs related to Hurricanes Elsa, Eta, Ian, Isaias, and Nicole and Tropical Storm Fred (Storms), as well as replenish its storm reserve.¹ This amount includes approximately \$4.5 million in interest. DEF filed its petition pursuant to the provisions of the 2021 Settlement Agreement (2021 Settlement) approved by Order No. PSC-2021-0202A-AS-EI. By Order No. PSC-2023-0111-PCO-EI, issued March 23, 2023, in Docket No. 20230020-EI, we granted DEF's request to recover these costs through an interim storm restoration recovery surcharge. The interim surcharges, made subject to true-up, was made effective with the first billing cycle of April 2023, ending the earlier of full recovery or with the last billing cycle of March 2024, whichever occurs first.

On September 29, 2023, DEF filed its petition for approval of actual costs related to the Storms, in the amount of \$431.4 million, an approximate reduction of \$10.7 million. DEF also requested to continue the storm restoration charge through the end of March 2024, as initially approved in Order No. PSC-2023-0111-PCO-EI. The disposition of any over- or under- recovery

¹Docket No. 20230020-EI, *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.*

will be handled through the capacity cost recovery clause at a future date. Docket No. 20230020-EI has been set for hearing on May 21-22, 2024.²

On October 16, 2023, the Company filed a petition for a limited proceeding in Docket No. 20230116-EI seeking authority to implement an interim storm restoration recovery surcharge to recover approximately \$166.1 million in incremental storm restoration costs, replenishment of the storm reserve, and interest related to Hurricane Idalia, to begin with the first billing cycle of January 2024 through December 31, 2024, subject to final true-up. The Company requested approval to include and spread the recovery of the remaining interim incremental storm restoration costs for the Storms in the surcharge for Hurricane Idalia, thereby amending the currently approved surcharge. The \$166.1 million includes \$73.9 million related to the uncollected restoration costs from the Storms and \$91.9 million related to Hurricane Idalia. DEF's request would also modify the 12-month recovery period of incremental restoration costs to be collected for the storms.

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

DECISION

Interim storm surcharge

DEF filed a petition requesting an amended interim storm surcharge in Docket No. 20230116-EI to reflect an estimated total of \$166.1 million in incremental storm restoration costs from the Storms and Hurricane Idalia, including interest, and replenishment of the storm reserve, beginning with the first billing cycle of January 2024 through December 2024, subject to true-up. DEF's request would also modify the 12-month recovery period of the remaining incremental restoration costs previously approved for the Storms in Docket No. 20230020-EI.

The interim petition for Docket No. 20230116-EI was filed pursuant to the provisions of the 2021 Settlement approved by Order No. PSC-2021-0202A-AS-EI.³ Pursuant to 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 requested an amended interim storm recovery charge of \$5.09 per 1,000 kilowatt-hours (kWh) on a residential customer bill over a 12-month recovery period beginning with the first billing cycle of January 2024.

The Company has requested to combine the estimated recovery amount of \$91.9 million from Hurricane Idalia with the remaining uncollected amount of \$73.9 million from the Storms, for a total recovery amount of approximately \$166.1 million. DEF has also requested a modified recovery period to spread cost recovery of the remaining uncollected incremental storms costs over an additional nine months to reduce the impact of the increase associated with the recovery of Hurricane Idalia storm costs. The Company argues that this will result in a rate reduction and will assist in rate stability.

² Order No. PSC-2023-0333-PCO-EI, issued November 2, 2023, in Docket No. 20230020-EI, *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.*

³ Order No. PSC-2021-0202A-AS-EI, issued June 28, 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.*

Based on the above, we authorize DEF to implement an amended interim storm restoration recovery charge of approximately \$166.1 million, subject to refund, and to implement a modified recovery period of January 2024 through December 2024, subject to true-up.

Corporate undertaking

We find that the appropriate security to guarantee the funds collected subject to refund is a corporate undertaking. The criteria for a corporate undertaking includes sufficient liquidity, equity ownership, profitability, and interest coverage to guarantee any potential refund of any interim storm restoration recovery charge. DEF requested a 12-month collection period from January 2024 to December 2024 for Interim Storm Cost Recovery Charges of \$166.1 million related to Hurricanes Idalia, Elsa, Eta, Ian, Isaias, Nicole, and Tropical Storm Fred. We have reviewed DEF's three most recent Annual Reports filed with us (2022, 2021, and 2020) 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, 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 equity ownership, profitability, and interest coverage are sufficient to support a potential refund of \$166.1 million. DEF's net income is 4.65 times the requested amount held subject to refund and it is improbable DEF will be required to refund the entire requested amount.

Accordingly, we find that DEF has adequate resources to support a corporate undertaking in the amount requested. Based on this analysis, we find that a corporate undertaking of \$166.1 million is acceptable. This brief financial analysis is only appropriate for deciding if the Company can support a corporate undertaking in the amount proposed and shall not be considered a finding regarding our position on other issues in this proceeding.

Tariffs

DEF has proposed to decrease the currently effective interim storm restoration surcharges approved in Docket No. 20230020-EI, based on the Company's recalculation of storm costs to include Hurricane Idalia and modify its recovery period through December 31, 2024. In the petition filed in Docket No. 20230116-EI, DEF states that the estimated storm recovery amount was allocated to the rate classes consistent with the rate design method approved in the 2021 Settlement.⁴ We have reviewed the allocation to rate classes and find that the allocations provided in Appendix A of the Docket No. 20230116-EI petition (Appendix A), at pages 5 and 6, are consistent with those approved in DEF's 2021 Settlement. Furthermore, we have reviewed the derivation of the surcharges provided in Appendix A. We find that these surcharges have been calculated correctly, using projected kilowatt hour (kWh) sales for January through December 2024. The proposed interim storm restoration recovery factors shall remain in effect until a final true-up is approved by this Commission.

The proposed interim storm restoration surcharges are shown on page 6 of Appendix A. For residential customers, the proposed surcharge would be 0.509 cents per kWh, which equates to a total surcharge of \$5.09 for a 1,000 kWh monthly bill. The current surcharge is 1.314 cents

⁴Order No. PSC-2021-0202A-AS-EI.

per kWh, which equates to a total surcharge of \$13.14 for a 1,000 kWh monthly bill. The storm cost recovery surcharge would be included in the non-fuel energy charge on customer bills.

We hereby approve DEF's proposal to revise the interim storm restoration surcharges. Furthermore, we hereby give our staff administrative authority to approve DEF's revised Tariff Sheet No. 6.105 consistent with the storm surcharges and other cost recovery factors we have approved above. The tariff shall become effective the first billing cycle of January 2024. The interim storm restoration surcharges shall be subject to final true-up once the final total actual storm-related costs are known and filed.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Duke Energy Florida, LLC's limited proceeding for recovery of incremental storm restoration costs related to Hurricane Idalia is hereby granted. It is further

ORDERED that Duke Energy Florida, LLC shall implement an amended interim storm restoration recovery charge, subject to refund, and a modified recovery period of January 2024 through December 2024. After the actual costs are reviewed for prudence and reasonableness, and are compared to the actual amount recovered through the interim storm restoration charge, a determination shall be made whether any over/under recovery has occurred. The disposition of any over or under recovery and associated interest, will be considered by us at a later date. It is further

ORDERED that the appropriate security to guarantee the amount collected subject to refund is a corporate undertaking. It is further

ORDERED that Duke Energy Florida, LLC's proposal to revise interim storm restoration surcharges, as found on Appendix A, is hereby approved. We also grant our staff administrative authority to approve a revised Tariff Sheet No. 6.105 stating storm surcharges and other cost recovery factors consistent with our decision as stated above. This tariff shall become effective with the first billing cycle of January 2024. The interim storm restoration surcharges shall be subject to final true-up once the final total actual storm-related costs are known and filed. It is further

ORDERED that Docket No. 20230020-EI shall remain open to conduct the administrative hearing scheduled for that docket. Docket No. 20230116-EI 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 for additional charge, if warranted.

By ORDER of the Florida Public Service Commission this 19th day of December, 2023.



ADAM J. TEITZMAN
Commission Clerk
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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.

SBr

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.