

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

DOCKET NO. 20190072-EI
ORDER NO. PSC-2019-0292-FOF-EI
ISSUED: July 22, 2019

The following Commissioners participated in the disposition of this matter:

ART GRAHAM, Chairman
JULIE I. BROWN
DONALD J. POLMANN
GARY F. CLARK
ANDREW GILES FAY

FINAL ORDER APPROVING DUKE ENERGY FLORIDA LLC'S PETITION FOR A
SECOND SOLAR RATE BASE ADJUSTMENT

APPEARANCES:

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Florida Public Service Commission General Counsel

BY THE COMMISSION:

Background

On November 20, 2017, we approved Duke Energy Florida, LLC's (DEF) 2017 Second Revised and Restated Settlement Agreement (2017 Second RRSSA), by Order No. PSC-2017-0451-AS-EU.¹ Paragraph 15 of the 2017 Second RRSSA allows DEF to petition us for cost recovery of up to 350 megawatts (MW) of solar generation in 2019. According to paragraph 15 of the 2017 Second RRSSA, the cost of the solar projects must be reasonable and cost-effective.

We approved DEF's first Solar Rate Base Adjustment (SoBRA), which included the Hamilton Solar Power Plant and the Columbia Solar Power Plant (Columbia), by Order No. PSC-2019-0159-FOF-EI (First SoBRA Approval).² On March 25, 2019, DEF filed a petition for a limited proceeding seeking approval, pursuant to paragraph 15 of the 2017 Second RRSSA, for its second SoBRA. In its petition, DEF seeks cost recovery approval for the Trenton Solar Power Plant (Trenton), the Lake Placid Solar Power Plant (Lake Placid), and a solar project added to DEF's existing DeBary Generating Station (DeBary). Trenton and Lake Placid will come into service in late 2019, and DeBary will come into service in early 2020. The Office of Public Counsel (OPC), White Springs Agricultural Chemicals, Inc. d/b/a PCS Phosphate – White Springs (PCS Phosphate), and Florida Industrial Power Users Group (FIPUG) intervened in this matter.

An administrative hearing in this docket was held on July 9, 2019. During the preliminary portion of the hearing, the parties indicated they were willing to waive opening statements, cross-examination of witnesses, and the filing of post-hearing briefs and, instead, wished to only make closing statements. We also admitted the prefiled testimony and exhibits of DEF's three witnesses. Upon consideration of the record evidence and the parties' arguments, we subsequently approved DEF's petition, as set forth herein, by bench vote. We have jurisdiction over this matter pursuant to the provisions of Chapter 366, Florida Statutes (F.S.).

Decision

DEF filed its petition for its second SoBRA projects (the Trenton, Lake Placid and DeBary projects) pursuant to the 2017 Second RRSSA. Review of these projects is subject to the conditions included in paragraph 15 of the 2017 Second RRSSA—namely, paragraph 15 requires

¹ Order 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.

² Order No. PSC-2019-0159-FOF-EI, issued April 30, 2019, in Docket No. 20180149-EI, In re: Petition for a limited proceeding to approve first solar base rate adjustment, by Duke Energy Florida, LLC.

that they be under the \$1,650/kWac cap, they be cost effective, and their costs meet the reasonableness requirements set forth in subparagraph 15(a) of the 2017 Second RRSSA. Based on the evidence in the record, the projects are cost effective and the projected installed costs are under the \$1,650 per kilowatt AC installed cost cap as required by subparagraph 15 (a) and 15 (c) of the 2017 Second RRSSA. While the projects are not needed for DEF's system reserve margin, there is an economic need recognized in \$54 million dollars (without carbon) of savings for ratepayers and a greater fuel diversity gained with the projects. The total combined revenue requirement for the projects is projected to be \$32 million. DEF has fulfilled the requirements set forth in the 2017 Second RRSSA regarding the SoBRA projects; therefore, DEF's petition is approved, as set forth herein. Our findings are specified below.

We find that the weighted average projected installed cost for the Trenton, Lake Placid, and DeBary projects in this filing is \$1,296/kWac; this is less than the \$1,650/kWac set forth in subparagraph 15(a) of the 2017 Second RRSSA. We also find that the Trenton, Lake Placid, and DeBary projects are cost effective in accordance with subparagraph 15(c) and result in a reduction in the Cumulative Present Value Revenue Requirements ("CPVRR") to DEF customers for a total savings of approximately \$105 million (base case).

The record demonstrates that the Trenton, Lake Placid, and DeBary projects will diversify DEF's fuel mix with dependable cost-effective energy, and provide firm summer capacity; this will help DEF meet its needs for future capacity and satisfy DEF's need for future generation capacity. Given all relevant factors, DEF has a need for cost-effective emission-free generation that will diversify and strengthen its supply side generation portfolio and associated fuel requirements and defer the need for future gas-fired generation. DEF's planned interconnection of 700 MW of utility-owned solar generation, including the Trenton, Lake Placid, and DeBary projects, provides cost-effective, reliable, clean, and flexible solar energy that will lower DEF's reliance on natural gas over time. The Trenton, Lake Placid, and DeBary projects are the second group of facilities in the 700 MW of scaled projects contemplated under the 2017 Second RRSSA that will address DEF's need to broaden its generation technology and fuel mix given its coal-fired steam plant retirements. These projects will reduce DEF's reliance on natural gas going forward and help mitigate the effects of any natural gas supply interruptions and transportation instabilities while contributing to customer fuel price stability. Further, these facilities will provide cost-effective renewable generation that will help address to the need to curb greenhouse gases, including carbon dioxide emissions and meet any future climate change policy mandates. Finally, DEF's solar facilities will meet the need for having cost-effective flexible solar generation facilities that will be dispatchable and integrated into DEF's entire resource portfolio and available for potential technology changes or retrofits to benefit all of DEF's customers over their useful life.

The Trenton, Lake Placid, and DeBary projects meet all of the requirements set forth in the 2017 Second RRSSA. The needed projects are reasonable, cost-effective, and were filed with correct and appropriate revenue requirement calculations. The megawatts proposed are within the yearly limits set forth in the 2017 Second RRSSA. We find that DEF has conducted a reasonable and comprehensive review of greenfield sites (including sites that it already owns) and projects already in development in DEF's service territory to select the Trenton, Lake Placid,

and DeBary projects. DEF used a competitive bidding process to select the engineering, procurement, and construction contractor and the equipment and material for each project. As demonstrated by DEF's testimony and exhibits, the costs for the projects appear to be both reasonable and at market. Generally, the costs for Trenton, Lake Placid, and DeBary are in line with those filed by other utilities while being designed to achieve higher Net Capacity Factors than those reported by other utilities in Florida. Finally, DEF calculated the revenue requirements consistent with the 2017 Second RRSSA.

Based on the evidence in the record, the annualized revenue requirements for the projects are as follows: Lake Placid—\$7.8 million, Trenton—\$12.8 million, and DeBary—\$11.4 million. The appropriate additional base rates needed to collect the estimated annual revenue requirements cannot be calculated until closer in time to the 2020 expected in-service date for the Trenton and Lake Placid projects. This is because these base rates must use the sales forecast that will be filed in the Capacity Cost Recovery (CCR) Clause projection filing in September and the base rates are subject to other adjustments provided for in the 2017 Second RRSSA (e.g., the multi-year base rate increase). DEF states that it intends to submit for administrative approval, by September 1, 2019, revised tariff sheets to reflect both the revenue requirements for the Trenton and Lake Placid projects and the multi-year base rate increase approved in the 2017 Second RRSSA.

As to the appropriate additional base rates needed to collect the estimated annual revenue requirements for the DeBary project, the rates also cannot be calculated until closer in time to the expected in-service date for that project (which, for DeBary, is in 2020). This is because the base rates must use the sales forecast that will be filed in the CCR Clause projection filing in September and the base rates are subject to other adjustments provided for in the 2017 Second RRSSA (e.g., the multi-year base rate increase). DEF states that it intends to submit for administrative approval, by February 1, 2020, revised tariff sheets to reflect the revenue requirements for the Columbia project (which we approved in the First SoBRA Approval) and the DeBary project. DEF also states that these tariff sheets will include the items noted above for the Trenton and Lake Placid projects.

For the Lake Placid and Trenton projects, DEF shall file its tariffs with Commission staff, for administrative approval, by September 1, 2019. For the DeBary project, DEF shall file its tariffs with Commission staff, for administrative approval, by February 1, 2020. The calculation of the base rate impacts for the three projects shall be determined in accordance with the 2017 Second RRSSA. Commission staff shall have the administrative authority to approve the specific revenue requirements, billing determinants, and tariffs for the Lake Placid, Trenton, and DeBary projects accordance with this Order.

Based on the foregoing, it is

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

ORDERED that this docket shall be closed.

By ORDER of the Florida Public Service Commission this 22nd day of July, 2019.



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.

KMS

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.

Any party adversely affected by the Commission's final action in this matter may request:

- 1) reconsideration of the decision by filing a motion for reconsideration with the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, 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 and/or wastewater utility by filing a notice of appeal with the Office of Commission Clerk, and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.