DUKE ENERGY.
FLORIDA

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Duke Energy Florida, Inc.

June 12, 2014

VIA OVERNIGHT MAIL

Ms. Carlotta Stauffer, Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: *Petition for approval of amended standard offer contract COG-2 by Duke Energy Florida, Inc.; Docket No. 140065-EI*

Dear Ms. Stauffer:

Please find enclosed for filing on behalf of Duke Energy Florida, Inc. ("DEF'), an original and five (5) copies of DEF's Response to Staff's Second Data Request (Nos. 1-3).

Thank you for your assistance in this matter. Please feel free to call me at (850) 521-1428 should you have any questions concerning this filing.

Respectfully,

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MRB/mw
cc: Charles Murphy, Esq.

DUKE ENERGY FLORIDA, INC.'S RESPONSES TO STAFF'S SECOND DATA REQUEST (NOS. 1 - 3)
Docket No. 140065-EI

1. In Rate Schedule (tariff sheet) No. 9.424, the Performance Security payment requirements have been changed from an amount based on credit rating to a standard amount of $30/kW. The change would appear to result in a much higher payment for companies with a high credit rating, and a much lower payment for companies with a low credit rating. Please explain the rationale for this change.

RESPONSE:

The Performance Security rate was changed to fixed rate of $30/kW because nearly all of the projects that utilize this tariff are owned by legal entities whose only assets are the generation project. These legal entities have no credit rating because they do not issue public debt. The lack of an independent credit rating made determining a Performance Security based on credit rating burdensome and potentially contentious. A fixed rate protects Duke Energy Florida's ratepayers while treating all QFs equally. The change simplifies the determination of the credit requirement and makes it more transparent to QF developers. Based upon a review of their respective tariff requirements, this approach is more consistent with that of other large utilities in Florida.

2. In Rate Schedule (tariff sheet) No. 9.430, the Liability insurance requirement has been increased to five times the previous amount (from $1 million to $5 million). Please explain the rationale for this change.

RESPONSE:

The Liability insurance requirement for QF contacts has been $1 million since the early 1980's while litigation awards have continued to increase. Meanwhile, net metering rules have been established that require up to $2 million of liability insurance for net metered facilities between 100 kW and 2 MW. Traditionally, QF projects have been larger than 5 MW and in some cases, much larger. These factors indicate that that the $1 million liability insurance requirement is inadequate and a requirement of $5 million of liability insurance is required to protect all parties involved.

3. In DEF's Response to Staff's First Data Request (No. 1), the amounts in the tables for capacity and energy payments appear to be thousands of dollars ($ 000) but the table is labeled just dollars ($). If the headings are correct, the amounts appear to be very low. Please clarify and explain DEF's response.

<u>RESPONSE:</u>

The amounts in DEF's Response to Staff's First Data Request in the tables for Total Capacity Payments, Total Energy Payments and Total Payments should all be in thousands of dollars.