

**BEFORE THE PUBLIC SERVICE COMMISSION**

In re: Fuel and purchased power cost recovery clause with generating performance incentive factor. | DOCKET NO. 140001-EI  
DATED: September 26, 2014

**DUKE ENERGY FLORIDA, INC.'S  
PREHEARING STATEMENT**

Duke Energy Florida, Inc. (DEF) hereby submits its Prehearing Statement with respect to its levelized fuel and capacity cost recovery factors and its Generating Performance Incentive Factor (GPIF) for the period of January 2015 through December 2015:

A. Known Witnesses - DEF intends to offer the testimony of:

<u>Witness - Direct</u>	<u>Subject Matter</u>	<u>Issues</u>
Thomas G. Foster	Fuel Cost Recovery True-Up (2013)	8
	Capacity Cost Recovery True-Up (2013)	23A
	Projection and Actual/Estimated True-up	1C, 6, 7, 9, 10
	Fuel and Capacity Cost Projections	11, 19-22, 27-33
	Other Matters	34
James McClay	2014 April/August Hedging Information	1A
	2015 Risk Management Plan	1B
Matthew J. Jones	GPIF: Reward/Penalty Schedules	16
	GPIF: Targets/Ranges Schedules	17

B. Known Exhibits - DEF intends to offer the following exhibits:

<u>Exhibit No.</u>	<u>Witness</u>	<u>Description</u>
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<u>          </u> (TGF-1T)	Foster	Fuel Cost Recovery True-Up (Jan – Dec. 2013)
<u>          </u> (TGF-2T)	Foster	Capacity Cost Recovery True-Up (Jan – Dec. 2013)
<u>          </u> (TGF-3T)	Foster	Schedules A1 through A3, A6 and A12 for Dec 2013
<u>          </u> (TGF-4T)	Foster	2013 Capital Structure and Cost Rates Applied to Capital Projects
<u>          </u> (TGF-2)	Foster	Actual/Estimated true-up Schedules for period January – December 2014
<u>          </u> (TGF-3)	Foster	Projection factors for January to December 2015
<u>          </u> (JM-1P)	McClay	2014 Risk Management Plan
<u>          </u> (JM-2P)	McClay	Hedging Report (January – July 2014)
<u>          </u> (MJJ-1T)	Jones	GPIF Reward/Penalty Schedules for 2013
<u>          </u> (MJJ-1P)	Jones	GPIF Targets/Ranges Schedules (for Jan – Dec. 2015)

C. Statement of Basic Position - Not applicable. DEF's positions to specific issues are listed below.

D.-F. Issues and Positions

DEF's positions on the issues identified in this proceeding are as follows:

**COMPANY SPECIFIC FUEL ADJUSTMENT ISSUES**

**ISSUE 1A:** Should the Commission approve as prudent, DEF's actions to mitigate the volatility of natural gas, residual oil, and purchased power prices, as reported in DEF's April 2014 and August 2014 hedging reports?

**DEF:** Yes. DEF's actions are reasonable and prudent. (McClay)

**ISSUE 1B:** Should the Commission approve DEF's 2015 Risk Management Plan?

**DEF:** Yes. (McClay)

**ISSUE 1C:** Has Duke made appropriate adjustments, if any are needed, to account for replacement power costs associated with April 2014 forced outage (transformer fire) at the Bartow Unit? If appropriate adjustments are needed and have not been made, what adjustment(s) should be made?

**DEF:** Yes, DEF chose to reduce retail fuel expense thereby removing the impact of the replacement power to retail customers. (Foster)

### **GENERIC FUEL ADJUSTMENT ISSUES**

**ISSUE 6:** What are the appropriate actual benchmark levels for calendar year 2014 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

**DEF:** \$359,523. (Foster)

**ISSUE 7:** What are the appropriate estimated benchmark levels for calendar year 2015 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

**DEF:** \$2,204,634. (Foster)

**ISSUE 8:** What are the appropriate fuel adjustment true-up amounts for the period January 2013 through December 2013?

**DEF:** \$27,234,093 over-recovery. (Foster)

**ISSUE 9:** What are the appropriate fuel adjustment actual/estimated true-up amounts for the period January 2014 through December 2014?

**DEF:** \$100,906,296 under-recovery. (Foster)

**ISSUE 10:** What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January 2015 to December 2015?

**DEF:** \$73,672,203 under-recovery. (Foster)

**ISSUE 11:** What are the appropriate projected total fuel and purchased power cost recovery amounts for the period January 2015 through December 2015?

**DEF:** \$1,638,735,421. (Foster)

### **COMPANY-SPECIFIC GENERATING PERFORMANCE INCENTIVE FACTOR ISSUES**

#### **Duke Energy Florida, Inc.**

No company-specific issues for Duke Energy Florida, Inc. have been identified at this time. If such issues are identified, they shall be numbered 12A, 12B, 12C, and so forth, as appropriate.

### **GENERIC GENERATING PERFORMANCE INCENTIVE FACTOR ISSUES**

**ISSUE 16:** What is the appropriate generation performance incentive factor (GPIF) reward or penalty for performance achieved during the period January 2013 through December 2013 for each investor-owned electric utility subject to the GPIF?

**DEF:** \$2,231,853 reward. (Jones)

**ISSUE 17:** What should the GPIF targets/ranges be for the period January 2015 through December 2015 for each investor-owned electric utility subject to the GPIF?

**DEF:** The appropriate targets and ranges are shown on Page 4 of Exhibit MJJ-1P filed on August 22, 2014 with the Direct Testimony of Matthew J. Jones. (Jones)

### **FUEL FACTOR CALCULATION ISSUES**

**ISSUE 18:** What are the appropriate projected net fuel and purchased power cost recovery and Generating Performance Incentive amounts to be included in the recovery factor for the period January 2015 through December 2015?

**DEF:** \$1,715,872,410. (Foster)

**ISSUE 19:** What is the appropriate revenue tax factor to be applied in calculating each investor-owned electric utility’s levelized fuel factor for the projection period January 2015 through December 2015?

**DEF:** 1.00072. (Foster)

**ISSUE 20:** What are the appropriate levelized fuel cost recovery factors for the period January 2015 through December 2015?

**DEF:** 4.541 cents per kWh (adjusted for jurisdictional losses). (Foster)

**ISSUE 21:** What are the appropriate fuel recovery line loss multipliers to be used in calculating the fuel cost recovery factors charged to each rate class/delivery voltage level class?

**DEF:**

<u>Group</u>	<u>Delivery Voltage Level</u>	<u>Line Loss Multiplier</u>
A.	Transmission	0.9800
B.	Distribution Primary	0.9900
C.	Distribution Secondary	1.0000
D.	Lighting Service	1.0000

(Foster)

**ISSUE 22:** What are the appropriate fuel cost recovery factors for each rate class/delivery voltage level class adjusted for line losses?

**DEF:**

Fuel Cost Factors (cents/kWh) GSD-1, GSDT-1, SS-1, CS-1, CST-1, CS-2, CST-2, CS-3, CST-3, SS-3, IS-1, IST-1, IS-2, IST-2, SS-2, LS-1						
Group	Delivery Voltage Level	First Tier Factor	Second Tier Factors	Levelized Factors	Time of Use	
					On-Peak	Off-Peak
A	Transmission	--	--	4.554	6.130	3.812
B	Distribution Primary	--	--	4.601	6.193	3.851
C	Distribution Secondary	--	--	4.647	6.255	3.890
D	Lighting Secondary	--	--	4.332	--	--

(Foster)

Fuel Cost Factors (cents/kWh) RS-1, RST-1, RSL-1, RSL-2, RSS-1						
					Time of Use	
Group	Delivery Voltage Level	First Tier Factor	Second Tier Factors	Levelized Factors	On-Peak	Off-Peak
C	Distribution Secondary	4.323	5.323	4.598	6.189	3.849

(Foster)

Fuel Cost Factors (cents/kWh) GS-1, GST-1, GS-2						
					Time of Use	
Group	Delivery Voltage Level	First Tier Factor	Second Tier Factors	Levelized Factors	On-Peak	Off-Peak
A	Transmission	--	--	4.513	6.074	3.777
B	Distribution Primary	--	--	4.559	6.136	3.816
C	Distribution Secondary	--	--	4.605	6.198	3.854

(Foster)

## COMPANY-SPECIFIC CAPACITY COST RECOVERY FACTOR ISSUES

**ISSUE 23A:** Has DEF included in the capacity cost recovery clause, the nuclear cost recovery amount ordered by the Commission in Docket No. 140009-EI?

**DEF:** For the Crystal River 3 Uprate project, the amount to be included is that which is approved, if any, by the Commission at its October 2, 2014, Agenda Conference. For the Levy Nuclear Project, the amount is a function of the rates filed for collection as presented in Exhibit 9 (see below) of DEF's Revised and Restated Stipulation and Settlement Agreement.

**Duke Energy Florida**

Impact of Billing change to **Levy - CCR rate** for demand based rate classes to be on a kW basis rather than on current kWh basis

	<u>2014 and Beyond</u>	
	<u>NCRC Impact</u>	
RS	0.345	cents/KWH
<b>RS</b>	<b>3.45</b>	<b>\$/1000 KWH</b>
GS - 1	0.252	cents/KWH
GS - 2	0.182	cents/KWH
GSD	0.84	\$/kW-Mo
CS	0.91	\$/kW-Mo
IS	0.69	\$/kW-Mo
LS	0.052	cents/KWH
Retail Avg	0.282	cents/KWH

All rates at Secondary - for primary and transmission use 99% and 98% adjustment  
(Foster)

**GENERIC CAPACITY COST RECOVERY FACTOR ISSUES**

**ISSUE 27:** What are the appropriate capacity cost recovery true-up amounts for the period January 2013 through December 2013?

**DEF:** \$6,489,700 under-recovery. (Foster)

**ISSUE 28:** What are the appropriate capacity cost recovery actual/estimated true-up amounts for the period January 2014 through December 2014?

**DEF:** \$10,501,540 under-recovery. (Foster)

**ISSUE 29:** What are the appropriate total capacity cost recovery true-up amounts to be collected/refunded during the period January 2015 through December 2015?

**DEF:** \$16,991,240 under-recovery. (Foster)

**ISSUE 30:** What are the appropriate projected total capacity cost recovery amounts for the period January 2015 through December 2015?

**DEF:** \$322,658,705. (Foster)

**ISSUE 31:** What are the appropriate projected net purchased power capacity cost recovery amounts to be included in the recovery factor for the period January 2015 through December 2015?

**DEF:** The appropriate projected net purchased power capacity cost recovery amount, excluding nuclear cost recovery, is \$339,894,492. The appropriate nuclear cost recovery amount is that which is approved in Issue 23A. (Foster)

**ISSUE 32:** What are the appropriate jurisdictional separation factors for capacity revenues and costs to be included in the recovery factor for the period January 2015 through December 2015?

**DEF:** Base – 92.885%, Intermediate – 72.703%, Peaking – 95.924%, consistent with the Revised and Restated Stipulation and Settlement Agreement approved in Order No. PSC-13-0598-FOF-EI. (Foster)

**ISSUE 33:** What are the appropriate capacity cost recovery factors for the period January 2015 through December 2015?

**DEF:**

<u>Rate Class</u>	<u>CCR Factor</u>
Residential	1.619 cents/kWh
General Service Non-Demand	1.282 cents/kWh
@ Primary Voltage	1.269 cents/kWh
@ Transmission Voltage	1.256 cents/kWh
General Service 100% Load Factor	0.883 cents/kWh
General Service Demand	4.19 \$/kW-month
@ Primary Voltage	4.15 \$/kW-month
@ Transmission Voltage	4.11 \$/kW-month
Curtailable	3.13 \$/kW-month
@ Primary Voltage	3.10 \$/kW-month

	@ Transmission Voltage	3.07 \$/kW-month
	Interruptible	3.52 \$/kW-month
	@ Primary Voltage	3.48 \$/kW-month
	@ Transmission Voltage	3.45 \$/kW-month
	Standby Monthly	0.410 \$/kW-month
	@ Primary Voltage	0.406 \$/kW-month
	@ Transmission Voltage	0.402 \$/kW-month
	Standby Daily	0.195 \$/kW-month
	@ Primary Voltage	0.193 \$/kW-month
	@ Transmission Voltage	0.191 \$/kW-month
(Foster)	Lighting	0.235 cents/kWh

### **EFFECTIVE DATE**

**ISSUE 34:** What should be the effective date of the fuel adjustment charge and capacity cost recovery charge for billing purposes?

**DEF:** The new factors should be effective beginning with the first billing cycle for January 2015 through the last billing cycle for December 2015. The first billing cycle may start before January 1, 2015, and the last billing cycle may end after December 31, 2015, so long as each customer is billed for twelve months regardless of when the factors became effective. (Foster)

**ISSUE 35:** Should this Docket be closed?

**DEF:** Yes.

G. Stipulated Issues

DEF has no stipulated issues at this time.

H. Pending Motions

DEF's Motion for Temporary Protective Order for Information contained in its Hedging Workpapers 14-083-2-1 filed on September 23, 2014 is pending.

I. Requests for Confidentiality

DEF has the following pending requests for confidential classification:

- August 13, 2014 - Information provided in Attachments A & B of Fuel Hedging

- Report from January through July, 2014
- August 22, 2014 – Information contained in direct testimony of Jams McClay
  - August 29, 2014 – 423 Forms for July 2014
  - August 29, 2014 – Substitute Exhibit A to Request for Confidential Classification filed on March 28, 2014 and August 13, 2014
  - September 3, 2014 – Information provided in Fuel Hedging Report from January through July, 2014

J. Requirements of Order

DEF believes that this prehearing statement complies with all the requirements of the Order Establishing Procedure.

K. Objections to Qualifications

DEF has no objection to the qualifications of any expert witnesses in this proceeding at this time, subject to further discovery in this matter.

RESPECTFULLY SUBMITTED this 26<sup>th</sup> day of September, 2014.

By: /s/ Dianne M. Triplett\_\_\_\_\_

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Attorneys for DUKE ENERGY FLORIDA

**Duke Energy Florida, Inc.**

Docket No.: 140001

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished via electronic mail this 26<sup>th</sup> day of September, 2014 to all parties of record as indicated below.

s/Dianne M. Triplett  
Attorney

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