BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Nuclear Cost Recovery Clause	Docket No. 150009-EI Submitted for Filing: March 16, 2015

DUKE ENERGY FLORIDA, INC.'S
RESPONSE TO STAFF DATA REQUEST 1

DATA REQUEST 1:

1. Please describe how DEF complied with Order No. PSC-14-0617-FOF-EI, to make the downward adjustment of $54,127,100 to the projected 2015 expenses and to account for this adjustment pursuant to Section 366.93 F.S., Rule 25-6.0423 F.A.C. and any affected requirements of the 2013 Settlement Agreement. In this response, please identify all impacted FERC accounts and subaccounts and how they were affected by the ordered action.

Response:

In Order No. PSC-14-0617-FOF-EI, the Commission ordered DEF to make a downward adjustment to its projected 2015 expenses based on the Commission's determination that there was a "reasonable expectation" that DEF would receive a $54,127,100 award from Westinghouse Electric Company (WEC) in 2015 as a result of the WEC litigation. The Commission also found that the record of evidence did not support making the adjustment in January of 2014 (an actuals period). The Commission also approved DEF's Levy Nuclear Project (LNP) cost recovery amount consistent with the rates approved in the 2013 Revised and Restated Settlement Agreement (2013 Settlement Agreement) estimated at $104 million per DEF's May 1, 2014 filings. The Commission did not require DEF to refile any schedules as part of their Order. Projected expenses for the LNP are reflected in DEF's Nuclear Cost Recovery Clause (NCRC) filing in May each year pursuant to Rule 25-6.0423, F.A.C. Accordingly, the moment that Order No. PSC-14-0617-FOF-EI became final and not subject to further appeal, the order was "self-effectuating" with respect to the downward adjustment such that the downward adjustment of $54,127,100 was automatically created. DEF therefore did not need to take any action to implement this Order until it began developing and ultimately files its projection filing this year by embedding an assumption for receipt of the $54 million in a projected period. Further, the Commission specifically stated that ordering a mid-year 2015 termination of the fixed charge was inappropriate at that time. Therefore this adjustment did not have an impact on the 2015 rates. Consistent with Section 366.93(6), F.S. and Rule 25-6.0423, F.A.C., and the Commission's finding in Order No. PSC-14-0617-FOF-EI that DEF's original activities when it made the scheduled

milestone payments in 2008 and 2009 in the amount of $54,127,100 were prudent, DEF will continue to recover carrying costs on the retail portion of the $54,127,100 deferral until it is collected.
Because the Commission ordered a downward adjustment in projected 2015 expenses for the LNP no FERC accounts and subaccounts are impacted or affected in order to comply with the Commission's Order.

2. Please describe how the method of accounting for the treatment of the $54 million proposed in DEF's March 2, 2015 petition differs from the approach described in your response to question 1.

   Response:

   DEF proposes to end the fixed LNP NCRC charge in its March 2, 2015 petition.

   The Commission's Order No. PSC-14-0617-FOF-EI addresses projections which did not impact accounting (GAAP/FERC); DEF's petition addresses accounting (GAAP/FERC) impacts related to the rate-making treatment of the $54 million. The petition accomplishes this by deferring collection of approximately $54 million until resolution of the WEC litigation.

   Put simply, DEF collected the retail portion of $54 million from customers to pay for services/equipment for the LNP (Payment 1) and DEF submitted that payment to the Commission and the Commission found that payment to be prudent. DEF then went forward and incurred other, unrelated costs for the LNP that the Commission also found to be prudent (Payment 2). The customers have already paid DEF the retail portion of the $54 million for Payment 1, but they owe DEF money for other costs DEF spent on the LNP after that for Payment 2. The Commission Order No. PSC-14-0617-FOF-EI requires a projected adjustment in the amount of $54 million based on the assumption that the amount will be recovered from WEC in the future and, to implement this, DEF must defer collection of the retail portion of $54 million for Payment 2 that the customers owe DEF, assuming DEF will one day get $54 million back from WEC in the WEC litigation, and DEF is entitled to carrying costs on that amount until DEF is able to collect it.

   As explained in more detail in its petition, DEF is proposing to end the fixed LNP NCRC charge in 2015, to continue the $54 million deferral through the end of the WEC litigation with either the accrual and collection of carrying charges on the retail portion of the $54 million until the end of the WEC litigation or the collection of carrying charges on an annual basis in the NCRC until the end of the WEC litigation, and to conduct a final true-up pursuant to the 2013 Settlement Agreement at that time. This rate mitigation proposal to end the fixed LNP NCRC charge in 2015 is the only difference between DEF's petition and the Commission's Order No. PSC-14-0617-FOF-EI with respect to the $54

million. If the Commission does not accept DEF's proposal, DEF will continue to collect the fixed LNP NCRC charge until the final true-up of all costs at the end of the WEC litigation or the natural expiration of the rate in 2017 consistent with the 2013 Settlement Agreement.

By proposing to end collection of the Levy nuclear fixed rate charge and defer collection of the retail portion of the $54 million DEF is attempting to implement the 2013 Settlement Agreement in a manner that comports with the Commission desire to defer collection of the retail portion of the $54 million in costs from customers until the WEC litigation is finalized and a full true-up under the 2013 Settlement Agreement has occurred. Under the 2013 Settlement Agreement, DEF is not required to end the LNP fixed NCRC charge at this time, when unrecovered costs remain outstanding or unknown such as cancelation costs which were contemplated in the setting of the fixed charge prescribed in the 2013 Settlement Agreement, but will not be known until the conclusion of the WEC litigation. DEF is offering this proposal because DEF believes that it makes sense to terminate the fixed LNP NCRC charge until the conclusion of the WEC litigation.

3. Please include an example of how DEF anticipates reconciling the $54 million adjustment described in your response to questions 1 and 2 assuming a favorable, to DEF, litigation outcome. In this response, please identify all impacted FERC accounts and subaccounts and how they would be affected.

   Response:

   If the Commission approves DEF's petition, DEF anticipates filing schedules with the Commission every year until the resolution of the WEC litigation that show the unrecovered (deferred) balance of the LNP investment and associated carrying charges pursuant to Section 366.93(6), F.S. and Rule 25-6.0423(7), F.A.C. Once the WEC litigation is final, DEF will return to the Commission for a final true-up. In question 3, Commission Staff asks DEF to assume a favorable outcome in the WEC litigation. In that event, assuming that DEF prevails on all DEF and WEC claims in the WEC litigation, DEF will apply the retail portion of the amount awarded against the unrecovered investment as part of the final true-up. To the extent there are still unrecovered costs, DEF will file to recover those costs. To the extent the award is greater than the unrecovered costs, DEF would credit those back to customers through the true-up process. DEF would debit FERC account 131- Cash and credit FERC account 182348- Levy Regulatory Asset for the retail portion and credit account 426553 - Impairment for the non-retail portion, upon the receipt of the cash.

4. If the March 2, 2015 Petition is considered and approved during the Commission's April 16, 2015 Agenda Conference, please state the beginning date of the first monthly billing cycle that would occur at least 10 days after this approval (i.e., the date the revised tariff would become effective).

   Response:

   If the Commission considers and approves DEF's Petition at the April 16, 2015 Agenda Conference, the tariff effective date could be May 1, 2015. The first billing cycle for May 2015 can process as early as April 27, 2015.

Respectfully submitted,

*/s/ Blaise N. Gamba*________

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<u>CERTIFICATE OF SERVICE</u>

I HEREBY CERTIFY a true and correct copy of the foregoing has been furnished to counsel and parties of record as indicated below via electronic and U.S. Mail this 16th day of March, 2015.

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