State of Florida

Public Service Commission

CAPITAL CIRCLE OFFICE CENTER ● 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: September 14, 2017

TO: Carlotta S. Stauffer, Commission Clerk, Office of Commission Clerk

FROM: Margo A. DuVal, Senior Attorney, Office of the General Counsel

RE: Docket No. 20170183-EI - Application for limited proceeding to approve 2017 second revised and restated settlement agreement, including certain rate adjustments, by Duke Energy Florida, LLC.

Docket No. 20100437-EI – Examination of the outage and replacement fuel/power costs associated with the CR3 steam generator replacement project, by Progress Energy Florida, Inc.

Docket No. 20150171-EI - Petition for issuance of nuclear asset-recovery financing order, by Duke Energy Florida, Inc. d/b/a Duke Energy.

Docket No. 20170001-EI - Fuel and purchased power cost recovery clause with generating performance incentive factor.

Docket No. 20170002-EG - Energy conservation cost recovery clause.

Docket No. 20170009-EI - Nuclear cost recovery clause.

Please add the attached PowerPoint presentation to be used at the September 15, 2017 Informal Meeting to the above-referenced docket files.

MAD/as

DEF 2017 Settlement Agreement (FPSC Docket No. 20170183-EI)

September 15, 2017

Background

- The 2017 Second Revised and Restated Settlement Agreement (“2017 Settlement”) replaces the 2013 Revised and Restated Stipulation and Settlement Agreement (“RRSSA”), which was approved per Order PSC-13-0598-FOF-EI, and later amended three times as approved per Order Nos. PSC-15-0465-S-EI, PSC-16-0138-FOF-EI, and PSC-16-0425-PAA-EI.
- Parties to the 2017 Settlement include the Original Parties to the RRSSA (Office of Public Counsel, Florida Industrial Power Users Group, White Springs d/b/a PCS Phosphate, and Florida Retail Federation) along with the Southern Alliance for Clean Energy.
- The 2017 Settlement becomes effective upon Commission approval and extends the term of the RRSSA for three years, from Dec 2018 to Dec 2021 (with certain items extending beyond 2021).
- The Parties have requested that the tariffs needed to implement the 2017 Settlement go into effect January 1, 2018, subject to refund, if the Commission does not approve by December 31, 2017.

Summary* of Key Provisions of the 2017 Settlement

*Please note that this is a summary and that the terms contained in the complete 2017 Settlement reflect the Parties' full intent.

Levy Nuclear Plant (LNP)

- **Recovery from Customers** - No further recovery of past, present or future LNP costs from customers. [¶10 & ¶11]

- **Combined Operating License (COL)** – write off total amount in CWIP (~$37M). [¶10]

- **NCRC** - Write off all remaining LNP costs in NCRC ($82M). (Note, removed $2.50/1000 kWh residential in 2018 from NCRC/CCR projection filed in May 2017). [¶11]

- **Termination Fee/Costs** - Write off amount awarded to Westinghouse ($30M + $4M interest) and all costs associated with litigation, including future additional costs awarded as a result of the pending Westinghouse appeal. All future costs related to LNP to be written off. [¶11]

- **Levy Land** – Remove Levy land from rate base and earnings surveillance reports by no later than January 1, 2019. [¶10]

Primary Rate Impacts

- **Multi-year Base Rate Increase** – Incremental annual increases to base rates of $67M from 2019-2021 (Total cumulative revenues of $67M in 2019, $133M in 2020 and $200M in 2021 (compared to 12/31/17 level)) [¶ 12.b.] (note, see changes that need to be made if income tax rate changes on “Tax Reform” slide). [Exhibit 6]

- **Solar Base Rate Adjustments** – Base rate increases to be determined and implemented with in-service date of each solar project approved by the Commission, but no earlier than Jan 2019 and no later than Dec 2022. [¶ 15]; see more detail in next slide.

- **Fuel Adjustment Clause** – Recover $196M (or amount determined by Commission) under-recovered fuel (based on 2017 act/est true-up filing) evenly over a two year period in 2018 and 2019. Reduces projected 2018 fuel increase by $2.53/1000 kWh (residential). [¶ 6]

- **Remove Levy from NCRC** – Remove $2.50/1000 kWh (residential) Levy recovery, requested in May 2017 filing, from NCRC/CCR effective Jan 2018. [¶ 10]

- **Citrus CC GBRA** - Not new, included in existing 2013 Settlement. [¶14] Basis for recovery preserved from 2013 Settlement.

Solar Base Rate Adjustment

- Up to 700 MW (max 350MW by Y/E 2019, 525MW by Y/E 2020 & 700MW by Y/E 2022). [¶15.d.]
- Weighted average costs in each filing cannot exceed $1,650/kWac (note, the cap is not per project and specific categories of costs are listed in this paragraph). [¶15.a.]
- No base rate increase allowed prior to 2019, but rate increases can extend into 2022 for projects filed in 2021. [¶15.a.]
- No material solar projects can be placed in service that are not subject to the settlement, and all projects qualifying for cost recovery under this settlement must be placed in service by Y/E 2022. [¶15.a.]
- If actual capex is less than projected in the initial base rate increase, DEF must make a one-time adjustment to reduce base rates and include a credit in CCR for the difference in revenue requirements from the time of the initial base rate increase to the time of the adjustment to base rates. [¶15.g.]
- If capex is higher than approved, DEF can initiate a limited proceeding and, upon FPSC approval, increase base rates, subject to $1,650/kWac hard cap. [¶15.g.]
- DEF must receive FPSC approval for all eligible projects before construction. Solar projects 75 MW or greater obtain need determination pursuant to Power Plant Siting Act. Solar projects less than 75 MW require Commission approval in a separate proceeding. [¶15.b.&c.]

Electric Vehicle and Battery Storage

- **<u>Electric Vehicle Service Equipment (EVSE)</u>** [¶17]
  - Under a 5 year pilot program (2018-2022), DEF to purchase, install, own & support minimum of 530 EVSE at customer locations. [¶17.a. and Exhibit 7]
  - Invest up to $8M [¶17.a.] plus operating costs (i.e. full revenue requirements) to be deferred to a regulatory asset earning authorized AFUDC rate. Revenue generated through EVSE to offset the regulatory asset. [¶17.g.]
  - DEF shall file a request for a separate proceeding for approval of a permanent EVSE offering within 4 years of effective date (~ Dec 2021) or make a filing explaining why not. [¶17.f.] DEF may begin recovering regulatory asset over 4 years in base rates upon making this filing, but no sooner than Jan 2022. [¶17.g.]
  - DEF to report annually to the FPSC specific information, including installation costs by market segment and technology type, load growth data, electricity prices paid by customers, etc. [¶17.f.]
- **<u>Battery Storage Pilot</u>** [¶27]
  - DEF may implement a 50 MW battery storage pilot in various locations TBD.
  - Costs must be reasonable and on average cannot exceed $2,300/kWac. Interveners cannot contest prudence of the decision to make the investments in battery storage but may challenge the reasonableness of actual costs incurred.
  - DEF may request cost recovery in its next general base rate case. (No deferral of costs or rate increases during settlement term, but will be included in surveillance reporting.)

Tax Reform

- **Federal Corporate Income Tax Changes** [¶16 and Exhibit 6]
  - DEF to quantify impact of tax reform on retail base revenue requirement using the forecasted earnings surveillance report for the year tax reform becomes effective. (Note, this is a one-time calculation only in the first year of tax reform effectiveness, if it occurs.)
  - If favorable, DEF can retain up to 40% of tax reform savings to accelerate depreciation of CR4&5 up to $50M pretax annually. This amount remains constant in each subsequent year, based on the one time calculation in the first year as described above. All remaining tax reform savings will be flowed back to retail customers through a base rate decrease within 120 days of tax reform enactment.
  - Favorable impacts from effective date of tax reform until the date of base rate adjustment to be flowed back to customers in CCR clause (using uniform % methodology).
  - If unfavorable impact, defer retail revenue requirement impact to a regulatory asset each year through 2021 to be addressed in future rate case.

- **Impact on Base Rate Increases** [¶16.b. and Exhibit 6]
  - Multi-year, Solar and Citrus CC base rate increases that have not yet gone into effect must be adjusted if income tax rates change.

Tariffs

- **Tariffs to Implement Rate Changes**
  - Effective January 1, 2018.

- **FixedBill Program** [¶30 and Exhibit 5]
  - Effective March 1, 2018, residential customers can choose to use the optional Fixed Bill tariff which will fix the monthly bill amount for 12 months with no true-up.

- **Shared Solar Tariff** [¶29 and Exhibit 5]
  - Effective upon completion of programming, residential, commercial & industrial customers can pay a monthly subscription fee for output from solar generating plants and receive a monthly credit on bills for the fuel savings.
  - Both the monthly subscription fee and monthly credit are specified in the tariff.

- **Economic Development and Re-Development** [¶18]
  - DEF to make permanent these pilots (included in tariff sheets in Exhibits 3 & 4).