

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

DOCKET NO. 20180149-EI
ORDER NO. PSC-2019-0159-FOF-EI
ISSUED: April 30, 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

APPEARANCES:

DIANNE M. TRIPLETT, ESQUIRE, Deputy General Counsel, 299 First Avenue North, St. Petersburg, Florida 33701, and MATTHEW R. BERNIER, ESQUIRE, Associate General Counsel, 106 East College Avenue, Suite 800, Tallahassee, Florida 32301

On behalf of Duke Energy Florida, LLC (DEF)

CHARLES J. REHWINKEL, ESQUIRE, Office of Public Counsel, c/o The Florida Legislature, 111 West Madison Street, Room 812, Tallahassee, Florida 32399-1400

On behalf of the Citizens of the State of Florida (OPC)

JON C. MOYLE, JR. and IAN E. WALDICK, ESQUIRES, Moyle Law Firm, PA, The Perkins House, 118 North Gadsden Street, Tallahassee, Florida 32301

On behalf of the Florida Industrial Power Users Group (FIPUG)

JAMES W. BREW and LAURA A. WYNN, ESQUIRES, Stone Mattheis Xenopoulos & Brew, PC, 1025 Thomas Jefferson Street, NW, Eighth Floor, West Tower, Washington, D.C. 20007

On behalf of White Springs Agricultural Chemicals, Inc. d/b/a PCS Phosphate – White Springs (PCS Phosphate)

JENNIFER CRAWFORD, ESQUIRE, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850

On behalf of the Florida Public Service Commission (Staff)

MARY ANNE HELTON, ESQUIRE, Deputy General Counsel, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850

Advisor to the Florida Public Service Commission.

KEITH C. HETRICK, ESQUIRE, General Counsel, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850
Florida Public Service Commission General Counsel

FINAL ORDER APPROVING DUKE ENERGY FLORIDA, LLC'S
FIRST SOLAR RATE BASE ADJUSTMENT

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 Settlement 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 Settlement, the cost of the solar projects must be reasonable and cost-effective.

On July 31, 2018, DEF filed a petition for a limited proceeding seeking approval for its first solar base rate adjustment, which includes both the Hamilton Solar Power Plant (Hamilton Project) and the Columbia Solar Power Plant (Columbia Project). The Hamilton Project went into service in December 2018 and the Columbia Project is expected to go into service in March 2020.² Intervention was granted to the Office of Public Counsel, the Florida Industrial Power Users Group, and White Springs Agricultural Chemicals, Inc. d/b/a PCS Phosphate – White Springs.

An administrative hearing in this docket was held on April 2, 2019. At the conclusion of the evidentiary portion of the hearing, the parties indicated they were willing to waive the filing of post-hearing briefs, and the Commission 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.).

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 By Order No. PSC-2018-0559-FOF-EI, issued November 21, 2018, DEF was authorized to implement a base rate increase associated with placing the Hamilton Project in service, subject to refund pending our final decision in this docket.

Decision

DEF filed its petition for its First Solar Base Rate Adjustment (SoBRA) projects, the Hamilton and Columbia Projects, pursuant to the 2017 Second RRSSA. The review of these projects is subject to the conditions that are included in paragraph fifteen of the 2017 Second RRSSA, namely, paragraph 15 requires 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/kWac installed cost cap as required by subparagraphs 15(a) and 15(c). While the projects are not needed for DEF's system planning reserve margin, there is an economic need recognized in \$84 million dollars (without carbon) of savings for ratepayers and a greater fuel diversity gained with the projects. The total combined annual revenue requirement for the projects is projected to be \$29.19 million. It is premature to adjust base rates for the Columbia Project because base rates must use the sales forecast that will be filed in the Capacity Cost Recovery Clause projection filing in September 2019, and base rates are subject to other adjustments provided for in the 2017 Second RRSSA. Our staff shall therefore have administrative authority to approve the tariffs and associated base rates for the Columbia Project, at the time it is placed in service. No modifications shall be made at this time to the previously-approved tariffs or base rate adjustment for the Hamilton Project. DEF has fulfilled the requirements set forth in the 2017 Agreement regarding its First SoBRA Projects; therefore, DEF's petition is approved, as set forth herein. Our specific findings are set forth below.

We find that the weighted average projected installed costs for the Hamilton and Columbia Projects is \$1,486 per kWac, which is less than the installed cost cap of \$1,650 per kWac set forth in subparagraph 15(a) of the 2017 Settlement. We further find that the Hamilton and Columbia Solar Projects are cost effective in accordance with subparagraph 15(c) of the 2017 Settlement, and result in a reduction in the Cumulative Present Value Revenue Requirements (CPVRR) to DEF customers for a total savings of approximately \$130 million (base case).

The record evidence demonstrates that the Hamilton and Columbia Projects will diversify DEF's fuel mix with dependable cost-effective energy, and provide firm summer capacity, helping to meet DEF's 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. These projects will help 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 contribute 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 Hamilton and Columbia Solar Projects meet all of the requirements set forth in the 2017 Second RRSSA. The needed projects are reasonable, cost-effective, and are filed with correct and appropriate revenue requirement calculations. The megawatts proposed are within the yearly limits set forth in the 2017 Second RRSSA. DEF 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 Hamilton and Columbia Solar Projects. DEF used a competitive bidding process to select the engineering, procurement, and construction (EPC) 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 reasonable and at market value. Generally, the costs for Hamilton and Columbia Projects are in line with those filed by other utilities. Finally, DEF calculated the revenue requirements and base rate adjustments consistent with the 2017 Second RRSSA.

Based upon the record evidence, the annualized revenue requirement of the Hamilton Project is \$15.2 million, and the annualized revenue requirement of the Columbia Project is \$14.0 million. The appropriate additional base rates needed to collect the estimated annual revenue requirement for the Columbia Project cannot be calculated until closer in time to the 2020 expected in-service date for the Columbia Project, because the adjusted 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 shall file its tariffs with our staff, for administrative approval, before the in-service date of the Columbia Project. The calculation of the base rate impact will be made in accordance with the 2017 Second RRSSA. The effective date of the Columbia Project tariffs shall be the first billing cycle for the month after the in-service date of the Columbia Project, which is currently expected to be early 2020.

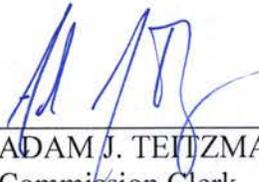
We find there is no modification necessary to the tariffs and associated base rates for the Hamilton Project approved in Order No. PSC-2018-0559-FOF-EI because DEF has complied with the requirements of the 2017 Second RRSSA; therefore, the projected revenue requirements for the Hamilton Project are not different from the revenue requirements used to calculate the base rates included in the approved tariffs. DEF shall file a true-up if the actual capital expenditures are, once final, lower than the approved capital expenditures consistent with subparagraph 15(g) of the 2017 Second RRSSA.

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 30th day of April, 2019.



ADAM J. TEITZMAN
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
(850) 413-6770
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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.

JSC

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.