

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Petition for limited proceeding to approve second solar base rate adjustment, by Duke Energy Florida, LLC | DOCKET NO. 20190072-EI
DATED: June 14, 2019

**DUKE ENERGY FLORIDA, LLC’S
PREHEARING STATEMENT**

Pursuant to the Order Establishing Procedure, Order No. PSC-2019-0161-PCO-EI, Duke Energy Florida, LLC (“DEF”) hereby submits its Prehearing Statement with respect to its petition for a limited proceeding to approve its second solar base rate adjustment.

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

| Witness | Subject Matter | Issues# |
|-----------------------|---|----------------|
| Matthew G. Stout | Costs and characteristics of the Trenton, Lake Placid and DeBary Solar Projects; DEF’s competitive solicitation processes; comparisons to other utilities; compliance with terms of 2017 Second RRSSA | 1,4,5 |
| Thomas G. Foster | Calculation of revenue requirements for the Trenton, Lake Placid and DeBary Solar Projects; compliance with terms of 2017 Second RRSSA | 4,5,6,7,8,9 |
| Benjamin M. H. Borsch | Cost effectiveness of the Trenton, Lake Placid and DeBary Solar Projects; compliance with terms of 2017 Second RRSSA | 2,3,4 |

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

| Witness | Proffered By | Exhibit # | Description |
|-----------------------|---------------------|------------------|--|
| | Direct | | |
| Matthew G. Stout | DEF | (MGS-1) | Trenton Solar Power Plant Site Plan |
| Matthew G. Stout | DEF | (MGS-2) | Trenton Solar Power Plant Costs CONFIDENTIAL |
| Matthew G. Stout | DEF | (MGS-3) | Lake Placid Solar Power Plant Site Plan |
| Matthew G. Stout | DEF | (MGS-4) | Lake Placid Solar Power Plant Costs CONFIDENTIAL |
| Matthew G. Stout | DEF | (MGS-5) | DeBary Solar Power Plant Site Plan |
| Matthew G. Stout | DEF | (MGS-6) | DeBary Solar Power Plant Costs CONFIDENTIAL |
| Matthew G. Stout | DEF | (MGS-7) | Cost Comparison to Other Utilities |
| Thomas G. Foster | DEF | (TGF-1) | SoBRA II First Year Annualized Revenue Requirement |
| Benjamin M. H. Borsch | DEF | (BMHB-1) | Solar Power Plant Assumptions |
| Benjamin M. H. Borsch | DEF | (BMHB-2) | Load Forecast |
| Benjamin M. H. Borsch | DEF | (BMHB-3) | Fuel Forecasts |
| Benjamin M. H. Borsch | DEF | (BMHB-4) | Cost Effectiveness (CPVRR) Analysis Results |

DEF reserves the right to identify additional exhibits for the purpose of cross-examination or rebuttal.

3. **Statement of Basic Position** - The Commission should approve the solar projects DEF has included in its filing for cost recovery pursuant to the 2017 Second Revised and Restated Stipulation and Settlement Agreement (“2017 Second RRSSA”) approved by the Commission in Order No. PSC-2017-0451-AS-EU. Specifically, the Trenton Solar Power Plant (“Trenton Project”) and the Lake Placid Solar Power Plant (“Lake Placid Project”) will come into service in late 2019, and the DeBary Generating Station in Volusia County (“DeBary Project”) will come into service in early 2020. DEF’s solar projects meet the requirements set forth in the 2017 Second RRSSA; namely, they are under the \$1,650/kWac cap, they are cost effective, and their costs meet the reasonableness requirements set forth in the Paragraph 15(a) of the 2017 Second RRSSA. DEF has also demonstrated that it needs the solar projects. Accordingly, DEF respectively requests that its solar projects be approved for rate recovery.

4. **Statement of Facts**

ISSUE 1: Are the projected installed costs of the proposed Solar Projects (Trenton, Lake Placid, and DeBary) within the Installed Cost Cap of \$1,650 per kWac pursuant to subparagraph 15(a) of the 2017 Settlement?

DEF: Yes, the weighted average projected installed cost for the facilities in this filing is \$1,296/kWac, which is less than the \$1,650/kWac set forth in the 2017 Second RRSSA. (Witness: Stout)

ISSUE 2: Are the proposed Solar Projects proposed by DEF cost effective pursuant to subparagraph 15(c) of the 2017 Settlement?

DEF: Yes, the Trenton, Lake Placid, and DeBary Solar Projects are cost effective in accordance with subparagraph 15(c) and result in a reduction in the Cumulative Present Value Revenue Requirements (“CPVRR”) to DEF customers for a total savings of approximately \$105 million (base case). The results of each sensitivity are summarized below:

CPVRR Net Cost / (Savings) of Proposed Solar Projects
\$ Millions (2019)

| Low Fuel Sensitivity | Base Case Fuel | High Fuel Sensitivity |
|----------------------|----------------|-----------------------|
| (65) | (105) | (205) |

(Witness: Borsch)

ISSUE 3: Are the Trenton, Lake Placid, and DeBary Solar Projects proposed by DEF needed pursuant to subparagraph 15(c) of the 2017 Settlement?

DEF: Yes, the Trenton, Lake Placid, and DeBary Solar 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. DEF's planned interconnection of 700 MW of utility-owned solar generation, including the Trenton, Lake Placid, and DeBary Solar Projects, provides cost-effective, reliable, clean, and flexible solar energy that will lower DEF's reliance on natural gas over time. The Trenton, Lake Placid, and DeBary Solar Projects are the second group of facilities in the 700 MW of scaled solar projects contemplated under the 2017 Second RRSSA that will address DEF's need to broaden its generation technology and fuel mix given its coal-fired steam plant retirements. These Projects will 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. (Witness: Borsch)

ISSUE 4: Are the Trenton, Lake Placid, and DeBary Solar Projects otherwise in compliance with the Terms of Paragraph 15 of the 2017 Settlement?

DEF: Yes, the Trenton, Lake Placid, and DeBary Solar Projects meet all of the requirements set forth in the 2017 Second RRSSA. The needed projects are reasonable, cost-effective, and are being 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 Trenton, Lake Placid, and DeBary 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 are reasonable and at market. Generally, the costs for Trenton, Lake Placid, and DeBary Solar Projects are in line with those filed by other utilities while being designed to achieve higher Net Capacity Factors than those reported by other utilities in Florida. Finally, DEF calculated the revenue requirements consistent with the 2017 Second RRSSA. (Witnesses: Stout, Borsch, Foster)

ISSUE 5: What is the annual revenue requirement associated with each of the proposed Solar Projects?

DEF: The annualized revenue requirements for each project are reflected in the chart below:

| | Lake Placid | Trenton | DeBary |
|--------------------------|--------------------|----------------|----------------|
| Est. Revenue Requirement | \$7.8 million | \$12.8 million | \$11.4 million |

(Witnesses: Stout, Foster)

ISSUE 6: What are the appropriate base rates needed to collect the estimated annual revenue requirement for the proposed Trenton and Lake Placid Solar Projects, projected to be effective in the first billing cycle of January, 2020?

DEF: DEF cannot perform this calculation until closer in time to the 2020 expected in-service date for the Trenton and Lake Placid Solar Projects, because the 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). (Witness: Foster).

ISSUE 7: What are the appropriate base rates needed to collect the estimated annual revenue requirement for the proposed DeBary Solar Project, projected to be effective in the first billing cycle of April, 2020?

DEF: DEF cannot perform this calculation until closer in time to the 2020 expected in-service date for the DeBary Solar Project, because the 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). (Witness: Foster).

ISSUE 8: Should the Commission give staff administrative authority to approve revised tariffs reflecting the base rates increase for the Trenton and Lake Placid Solar Projects determined to be appropriate in this proceeding?

DEF: Yes, DEF will file its tariffs with the Commission staff, for administrative approval, before the in-service date of the Trenton and Lake Placid Solar Projects. The calculation of the base rate impact will be done in accordance with the 2017 Second RRSSA. (Witness: Foster)

ISSUE 9: Should the Commission give staff administrative authority to approve revised tariffs reflecting the base rates increase for the DeBary Solar Project determined to be appropriate in this proceeding?

DEF: Yes, DEF will file its tariffs with the Commission staff, for administrative approval, before the in-service date of the DeBary Solar Project. The calculation of the base rate impact will be done in accordance with the 2017 Second RRSSA. (Witness: Foster)

ISSUE 10: Should the docket be closed?

DEF: Yes.

5. **Stipulated Issues** - None at this time.

6. **Pending Motions** - DEF does not have any pending motions at this time.

7. **Requests for Confidentiality**

DEF has the following pending request for confidential classification:

- April 16, 2019 DEF's Request for Extension of Confidential Classification concerning portions of Exhibit Nos. ___(MGS-2), ___(MGS-4) and ___(MGS-6) to the direct testimony of Matthew G. Stout, (DN 03739-2019).

8. **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.

9. **Sequestration of Witnesses** - DEF has not identified any witnesses for sequestration at this time.

Requirements of Order - At this time, DEF is unaware of any requirements of the Order Establishing Procedure of which it will be unable to comply.

RESPECTFULLY SUBMITTED this 14th day of June, 2019.

s/Dianne M. Triplett

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Duke Energy Florida
CERTIFICATE OF SERVICE
Docket No. 20190072-EI

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished via email this 14th day of June, 2019 to all parties of record as indicated below.

s/Dianne M. Triplett

Attorney

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