

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-**

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**DATE:** February 21, 2019

**TO:** Office of Commission Clerk (Teitzman)

**FROM:** Division of Engineering (Wooten, Ellis, Wright) *EW* *POE* *TB* *OW*  
Office of the General Counsel (Murphy) *CM* *TM*

**RE:** Docket No. 20180073-EQ – Petition for approval of amended standard offer contract (Schedule COG-2) based on a combustion turbine avoided unit, by Duke Energy Florida, LLC.

**AGENDA:** 03/05/19 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** Administrative

**CRITICAL DATES:** None

**SPECIAL INSTRUCTIONS:** None

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### Case Background

Section 366.91(3), Florida Statutes (F.S.), requires that each investor-owned utility (IOU) continuously offer to purchase capacity and energy from renewable energy generators and small qualifying facilities. Florida Public Service Commission (Commission) Rules 25-17.200 through 25-17.310, Florida Administrative Code (F.A.C.), implement the statute and require each IOU to file with the Commission, by April 1 of each year, a standard offer contract based on the next avoidable fossil fueled generating unit of each technology type identified in the Utility's current Ten-Year Site Plan. On March 29, 2018, Duke Energy Florida, LLC (DEF) filed a petition for approval of its amended standard offer contract and rate schedule COG-2 based on its 2018 Ten-

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Year Site Plan. On June 19, 2018, the Commission issued Order No. PSC-2018-0314-PAA-EQ approving DEF's petition.<sup>1</sup>

On November 16, 2018, DEF filed a petition for approval to modify the delivery voltage adjustment factors (DVAFs) found on Sheet 9.458 of its standard offer contract. Pursuant to DEF's standard offer contract, these voltage factors adjust the energy payments made to renewable energy generators and qualifying facilities located within DEF's service territory to reflect line losses avoided by DEF based on the delivery voltage level at which the facility's energy is received by DEF. DEF uses a value that is filed with the Federal Energy Regulatory Commission (FERC) every year on May 1 as a component of the DVAFs. On October 31, 2018, a settlement agreement was filed on behalf of DEF that alters DEF's DVAFs beginning January 1, 2019. On January 28, 2019, the FERC issued a letter order, *Duke Energy Fla., LLC*, 166 FERC ¶ 61,057 (2019),<sup>2</sup> approving the settlement agreement. DEF is not requesting modification of any other tariff sheets.

The Commission has jurisdiction over this standard offer contract pursuant to Sections 366.04 through 366.06 and 366.91, F.S.

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<sup>1</sup>Order No. PSC-2018-0314-PAA-EQ, issued June 19, 2018, in Docket No. 20180073-EQ, *In re: Petition for approval of amended standard offer contract (Schedule COG-2) based on a combustion turbine avoided unit, by Duke Energy Florida, LLC*.

<sup>2</sup>FERC Docket No. ER18-1458-002.

### Discussion of Issues

**Issue 1:** Should the Commission approve Duke Energy Florida, LLC's petition to adjust the delivery voltage adjustment factors found on Sheet 9.458 of its standard offer contract?

**Recommendation:** Yes. FERC's approval of DEF's settlement agreement necessitates modification of two of the three delivery voltage adjustment factors found on Sheet 9.458 of DEF's standard offer contract. The revised Sheet 9.458 provided by DEF reflects the necessary adjustments and should be approved by the Commission. (Wright)

**Staff Analysis:** DEF conducts an annual system line loss study for the prior calendar year to determine delivery efficiencies throughout its transmission and distribution network. The results of this study are used to derive system line loss factors for its transmission, primary distribution, and secondary distribution voltage levels, which are filed with the FERC every year on May 1. These efficiency factors are used in the calculation of the DVAFs found on Sheet 9.458 of DEF's standard offer contract. The current DVAFs are based on DEF's 2017 line loss study and are 1.0150 for transmission, 1.0254 for primary distribution, and 1.0627 for secondary distribution.

On October 31, 2018, a settlement agreement was filed on behalf of DEF that alters DEF's DVAFs beginning January 1, 2019. On January 28, 2019, the FERC approved the settlement agreement through its issuance of a letter order *Duke Energy Fla., LLC*, 166 FERC ¶ 61,057 (2019), included as Attachment A of this recommendation. In the settlement, DEF agreed to remove facilities owned by Seminole Electric Cooperative, Inc. (Seminole) and its members from the losses calculation, aligning delivery efficiency determination with the Network Integration Service Agreement between Seminole and DEF. The result was an increase in the derived transmission delivery efficiency of 0.01 percent, or a change from 98.52 percent to 98.53 percent. This change necessitates adjustment of two of the three DVAFs found on Sheet 9.458 of DEF's standard offer contract. The updated DVAFs consist of a transmission DVAF of 1.0149 and a primary distribution DVAF of 1.0253. The revised Sheet 9.458, in type-and-strike format, is included as Attachment B of this recommendation. Staff has reviewed these updated values and recommends approval of DEF's petition to amend Sheet 9.458 of its standard offer contract.

**Issue 2:** Should this docket be closed?

**Recommendation:** Yes. This docket should be closed upon issuance of a consummating order, unless a person whose substantial interests are affected by the Commission's decision files a protest within 21 days of the issuance of the Commission's Proposed Agency Action Order. Potential signatories should be aware that, if a timely protest is filed, DEF's standard offer contract may subsequently be revised. (Murphy)

**Staff Analysis:** This docket should be closed upon the issuance of a consummating order, unless a person whose substantial interests are affected by the Commission's decision files a protest within 21 days of the issuance of the Commission's Proposed Agency Action Order. Potential signatories should be aware that, if a timely protest is filed, DEF's standard offer contract may subsequently be revised.

20190128-3060 FERC PDF (Unofficial) 01/28/2019

166 FERC ¶ 61,057  
FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, DC 20426

January 28, 2019

In Reply Refer To:  
Duke Energy Florida, LLC  
Docket No. ER18-1458-002

Duke Energy Corporation  
550 South Tryon St. (DEC 45A)  
Charlotte, NC 28202

Attn: Ann Warren  
Associate General Counsel

Dear Ms. Warren:

1. On October 31, 2018, in Docket No. ER18-1458-002, Duke Energy Carolinas, LLC, filed a Settlement Agreement on behalf of Duke Energy Florida (DEF), among DEF, Florida Municipal Power Agency, and Seminole Electric Cooperative, Inc. (collectively, Settling Parties), to resolve all issues set for hearing in the July 20, 2018 order issued in this proceeding.<sup>1</sup>
2. On November 20, 2018, Commission Trial Staff filed comments in support of the Settlement Agreement. On December 6, 2018, the Settlement Judge certified the Settlement to the Commission as an uncontested settlement.<sup>2</sup>
3. The Settlement Agreement concerns DEF's proposed changes to the DEF Joint Open Access Transmission Tariff, Tariff Volume No. 4 (Joint OATT), to incorporate updated real power loss factors in accordance with its annual update procedures set forth

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<sup>1</sup> *Duke Energy Fla., LLC*, 164 FERC ¶ 61,041 (2018). The Commission accepted DEF's proposed real power loss factors, as amended, for filing, suspended them for a nominal period, to become effective May 1, 2018, subject to refund, and set them for hearing and settlement judge procedures.

<sup>2</sup> *Duke Energy, Fla., LLC*, 165 FERC ¶ 63,022 (2018).

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in Attachment Q of the Joint OATT. The Settling Parties have requested an effective date of January 1, 2019, for these tariff changes.

4. In the Terms of Settlement Agreement at Section 2.1.1, the Settling Parties agree that the Joint OATT should be modified to incorporate the tariff changes that are set forth in Attachment 1 to the Settlement Agreement, which will: (a) decrease the real power loss factor for deliveries at transmission voltages from 1.48 percent to 1.47 percent, and (b) decrease the real power loss factor for deliveries at distribution voltages from 2.48 percent to 2.47 percent.

5. Section 5.1 states that the "statutory 'just and reasonable' standard of review applies to future changes to the Settlement Agreement sought by the Commission acting *sua sponte* or at the request of a non-settling third party."

6. The Settlement Agreement resolves all issues set for hearing in this proceeding. The Settlement appears to be fair and reasonable and in the public interest, and is hereby approved. The Commission's approval of this Settlement does not constitute approval of, or precedent regarding, any principle or issue in these proceedings.

7. The Settlement Joint OATT is hereby accepted to become effective January 1, 2019, as requested by the Settling Parties.

8. This letter order terminates Docket Nos. ER18-1458-000, ER18-1458-001, and ER18-1458-002.

By direction of the Commission. Commissioner McNamee is not participating.

Nathaniel J. Davis, Sr.,  
Deputy Secretary.



SECTION No. IX  
~~TWELFTH-THIRTEEN~~ REVISED SHEET NO. 9.458  
CANCELS ~~ELEVENTH-TWELFTH~~ SHEET NO. 9.458

**ESTIMATED UNIT FUEL COST**

As required in Section 25-17.0832, F.A.C., the estimated fuel costs associated with DEF's Avoided Unit are based on current estimates of the price of natural gas and will be provided within 30 days of a written request for such projections by any interested person.

**DELIVERY VOLTAGE ADJUSTMENT**

DEF's average system line losses are analyzed annually for the prior calendar year, and delivery efficiencies are developed for the transmission, distribution primary, and distribution secondary voltage levels. This analysis is provided in the DEF's Procedures For Changing The Real Power Loss Factor (currently Attachment Q) in its Open Access Transmission Tariff and DEF's fuel cost recovery filing with the FPSC. An adjustment factor, calculated as the reciprocal of the appropriate delivery efficiency factor, is applicable to the above determined energy costs if the RF/QF is within DEF's service territory to reflect the delivery voltage level at which RF/QF energy is received by the DEF.

The current delivery voltage adjustment factors are:

<u>Delivery Voltage</u>	<u>Adjustment Factor</u>
Transmission Voltage Delivery	1.01500149
Primary Voltage Delivery	1.02540253
Secondary Voltage Delivery	1.0627

**PERFORMANCE CRITERIA**

Payments for firm Capacity are conditioned on the RF/QF's ability to maintain the following performance criteria:

A. Capacity Delivery Date

The Capacity Delivery Date shall be no later than the Required Capacity Delivery Date.

B. Availability and Capacity Factor

The Facility's availability and capacity factor are used in the determination of firm Capacity Payments through a performance based calculation as detailed in Appendix A to the Contract.

ISSUED BY: Javier Portuondo, Managing Director, Rates & Regulatory Strategy - FL  
EFFECTIVE: