

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Storm protection plan cost recovery
clause.

DOCKET NO. 20200092-EI
ORDER NO. PSC-2020-0410-AS-EI
ISSUED: October 27, 2020

The following Commissioners participated in the disposition of this matter:

GARY F. CLARK, Chairman
ART GRAHAM
JULIE I. BROWN
DONALD J. POLMANN
ANDREW GILES FAY

APPEARANCES:

MATTHEW R. BERNIER, ESQUIRE, 106 E. College Avenue, Suite 800,
Tallahassee, Florida 32301
On behalf of Duke Energy Florida, LLC.

JON C. MOYLE, ESQUIRE, 118 North Gadsden Street, Tallahassee, Florida
32312
On behalf of Florida Industrial Power Users Group.

JAMES W. BREW, ESQUIRE, Stone Mattheis Xenopoulos & Brew, PC, 1025
Thomas Jefferson Street, NW, Eighth Floor, West Tower, Washington, District of
Columbia 20007
On behalf of White Springs Agricultural Chemicals, Inc. d/b/a PCS Phosphate –
White Springs.

J.R. KELLY and CHARLES REHWINKEL, ESQUIRES, Office of Public
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Tallahassee, Florida 32399-1400
On behalf of Office of Public Counsel.

STEPHANIE U. EATON, ESQUIRE, 110 Oakwood Drive, Suite 500, Winston-
Salem, North Carolina 27103
On behalf of Walmart Inc.

SHAW P. STILLER and JENNIFER S. CRAWFORD, ESQUIRES, Florida
Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida
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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 SETTLEMENT AGREEMENTS

BY THE COMMISSION:

Background

The 2019 Florida Legislature enacted Section 366.96, Florida Statutes (F.S.), entitled “Storm protection plan cost recovery.” Pursuant to Section 366.96(7), F.S., we shall conduct an annual proceeding to determine a utility’s prudently incurred transmission and distribution storm protection plan costs and allow the utility to recover such costs through a charge separate and apart from its base rates, to be referred to as the storm protection plan cost recovery clause (SPPCRC). If we determine that costs were prudently incurred, those costs will not be subject to disallowance or further prudence review except for fraud, perjury, or intentional withholding of key information by the public utility.

On September 1, 2020, we conducted a hearing to consider two Motions for Approval of Settlement Agreement. Both Motions were filed by Duke Energy Florida, LLC (Duke or Company) in Docket No. 20200069-EI (Storm Protection Plan docket or SPP) and Docket No. 20200092-EI (Storm Protection Plan Cost Recovery Clause or SPPCRC). The first Motion was filed July 17, 2020, and requested approval of the “2020 SPP/SPPCRC Agreement” (July Agreement), attached hereto as Exhibit A. The second Motion was filed August 10, 2020, and requested approval of the “SPPCRC Stipulation and Settlement Agreement” (August Agreement), attached hereto as Exhibit B.¹

The signatories to both Agreements are Duke, the Office of Public Counsel (OPC), and White Springs Agricultural Chemicals, Inc. d/b/a PCS Phosphate (PCS). The Florida Industrial Power Users Group (FIPUG) is a party to both dockets but did not sign and takes no position regarding either Agreement. Walmart, Inc. (Walmart) is a party to both dockets, takes no position regarding the July Agreement, and objects to the August Agreement.

¹ On August 10, 2020, after these Settlement Agreements were executed and filed, we approved a Settlement regarding Duke in Docket No. 20200069-EI. Based on that approval, that docket was closed August 28, 2020. The closing of that docket was a ministerial act and does not affect the substance of the two Agreements, which were both considered at the September 1, 2020 public hearing as part of Docket No. 20200092-EI.

The July Agreement contains a series of stipulations regarding the reasonable costs Duke should be permitted to recover through the SPPCRC in 2021. We approved the July Agreement at the September 1, 2020 hearing, without objection from any party.

At the September 1, 2020 public hearing, counsel for Duke, OPC, and PCS made presentations in favor of the August Agreement. Duke also introduced into evidence the testimony of witnesses Oliver and Foster. Counsel for Walmart presented argument in opposition to the August Agreement. Walmart also introduced into evidence the testimony of its witness Chriss and conducted cross examination of Duke witness Foster. Eight evidentiary exhibits were admitted without objection. At the conclusion of the hearing, we established September 11, 2020, as the deadline for any party wishing to file a brief to do so. Duke, PCS, and Walmart timely filed post-hearing briefs.

We have jurisdiction over this matter pursuant to Sections 366.03, 366.05, and 366.06, Florida Statutes.

Decision

The standard for approval of a settlement agreement is whether it is in the public interest.² A determination of whether a settlement is in the public interest requires a case-specific analysis based on consideration of the proposed settlement taken as a whole.³

Duke's July Agreement

As noted above, we approved the uncontested July Agreement, Attachment A hereto, at the September 1, 2020 hearing in this docket. The July Agreement contains a series of stipulations regarding the reasonable costs Duke should be permitted to recover through the SPPCRC in 2021. The signatories contend that approval of the July Agreement is in the public interest for a number of reasons, foremost of which are promoting efficiency and transparency, and avoiding the expense and delay of litigating the contentious issues of whether costs are incremental and whether there is double recovery. After hearing opening statements by all parties, we found the July Agreement to be in the public interest, and therefore approved it.

² Sierra Club v. Brown, 243 So. 3d 903, 910-913 (Fla. 2018); Order No. PSC-13-0023-S-EI, issued on January 14, 2013, in Docket No. 120015-EI, In re: Petition for increase in rates by Florida Power & Light Company; Order No. PSC-11-0089-S-EI, issued February 1, 2011, in Docket Nos. 080677-EI and 090130-EI, In re: Petition for increase in rates by Florida Power & Light Company and In re: 2009 depreciation and dismantlement study by Florida Power & Light Company; Order No. PSC-10-0398-S-EI, issued June 18, 2010, in Docket Nos. 090079-EI, 090144-EI, 090145-EI, and 100136-EI, In re: Petition for increase in rates by Progress Energy Florida, Inc., In re: Petition for limited proceeding to include Bartow repowering project in base rates, by Progress Energy Florida, Inc., In re: Petition for expedited approval of the deferral of pension expenses, authorization to charge storm hardening expenses to the storm damage reserve, and variance from or waiver of Rule 25-6.0143(1)(c), (d), and (f), F.A.C., by Progress Energy Florida, Inc., and In re: Petition for approval of an accounting order to record a depreciation expense credit, by Progress Energy Florida, Inc.; Order No. PSC-05-0945-S-EI, issued September 28, 2005, in Docket No. 050078-EI, In re: Petition for rate increase by Progress Energy Florida, Inc.

³ Order No. PSC-13-0023-S-EI, at p. 7.

Duke's August Agreement

The August Agreement also contains a series of stipulations. Specifically, the signatories agree that the prefiled testimony provides us with a record basis to approve the reasonableness of Duke's 2021 SPPCRC costs and revenue requirements. The signatories further agree that the SPPCRC rate factors should be approved, but that such rates should not have precedential value in future SPPCRC proceedings. Finally, the signatories agree that Duke should be permitted to seek recovery of its initial 2020-2029 SPP development costs through the SPPCRC, where Duke will bear the burden of proving reasonableness and prudence.

Walmart objects to the August Agreement because it allows Duke to recover SPP costs from demand-metered customers through a \$/kWh energy charge. Walmart argues that we should require Duke to charge demand-metered customers on a demand, or \$/kW, charge.

The August Agreement resolves all remaining issues raised regarding Duke's 2021 SPPCRC cost and revenue requirements in this docket and allows for future consideration of reasonableness and prudence. Having carefully reviewed the August Settlement Agreement, the testimony and exhibits entered into the record, and the parties' post-hearing briefs, we find that, taken as a whole, it provides a reasonable resolution of these issues. We find, therefore, that the August Agreement, Attachment B hereto, is in the public interest, and we hereby approve it.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the Motion to Approve 2020 SPP/SPPCRC Agreement filed by Duke Energy Florida, LLC, on July 17, 2020, is granted. It is further

ORDERED that the 2020 SPP/SPPCRC Agreement filed on July 17, 2020, referred to herein as the July Agreement and attached hereto as Attachment A, and incorporated by reference, is hereby approved. It is further

ORDERED by the Florida Public Service Commission that the Joint Motion for Approval of Settlement Agreement filed by Duke Energy Florida, LLC, on August 10, 2020, is granted. It is further

ORDERED that the SPPCRC Stipulation and Settlement Agreement filed on August 10, 2020, referred to herein as the August Agreement and attached hereto as Attachment B, and incorporated by reference, is hereby approved. It is further

ORDERED that this docket shall remain open.

By ORDER of the Florida Public Service Commission this 27th day of October, 2020.



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

Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

SPS

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.

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Attachment A

ATTACHMENT 1

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Review of 2020-2029 Storm Protection Plan Docket No. 20200069-EI
pursuant to Rule 25-6.030, F.A.C.,
Duke Energy Florida, LLC.

In re: Storm Protection Plan Cost Recovery Clause Docket No. 20200092-EI

2020 SPP/SPPCRC Agreement

THIS AGREEMENT is dated this 17th day of July, 2020, and is by and between Duke Energy Florida, LLC (“DEF” or the “Company”), the Office of Public Counsel (“OPC” or “Citizens”), and White Springs Agricultural Chemicals, Inc. d/b/a PCS Phosphate (“PCS”). DEF, OPC and PCS, shall be referred to herein as the “Parties” and the term “Party” shall be the singular form of the term “Parties.” OPC and PCS will be referred to herein as the “Consumer Parties.” This document shall be referred to as the “2020 SPP/SPPCRC Agreement.”

Recitals

Storm Protection Plan and Storm Protection Plan Cost Recovery Clause

A. In 2019, the Florida Legislature enacted section 366.96, Florida Statutes, entitled “Storm protection plan cost recovery.” Section 366.96(3) requires DEF and the other public electric utilities to file a transmission and distribution storm protection plan (“SPP”) at least every three years that covers the immediate 10-year planning period, and explain the systematic approach they will follow to achieve the objectives of reducing restoration costs and outage times associated with extreme weather events and enhancing overall reliability. The Commission must determine whether it is in the public interest to approve, approve with modification, or deny each utility’s SPP no later than 180 days after the utility

files a plan that contains all of the elements required by Commission Rule. The new statute also creates a storm protection plan cost recovery clause (“SPPCRC”) to promote the timely recovery of costs incurred by a utility pursuant to its SPP. Rules 25-6.030 and 25-6.031, Florida Administrative Code, were adopted by the Commission to implement section 366.96, Florida Statutes.

B. Rule 25-6.030 requires each utility to file a SPP at least every three years with the Commission, and specifies the required elements of the utility’s SPP. Subsection 25-6.030(3)(h) requires a Plan to include “an estimate of rate impacts for each of the first three years of the Storm Protection Plan for the utility’s typical residential, commercial, and industrial customers.” Pursuant to the Order Establishing Procedure (“OEP”) for Docket No. 20200069-EI, opened by the Commission to review DEF’s SPP, DEF filed its 2020-2029 SPP on April 10, 2020.

C. Rule 25-6.031 governs the new SPPCRC created by section 366.93, Florida Statutes. Subsection 6(b) of that rule states: “Storm Protection Plan costs recoverable through the clause shall not include costs recovered through the utility’s base rates or any other cost recovery mechanism.” The Commission opened Docket No. 20200092-EI to consider issues related to SPP costs through the SPPCRC. DEF anticipates filing its petition for SPP cost recovery in Docket No. 20200092-EI, on or about July 24, 2020, in accordance with that docket’s OEP.

Overall Regulatory Activity

D. The cumulative total of the regulatory activity described above, together with the other annual clause proceedings and other dockets and rulemakings pending at the FPSC, is greater than normal and this led the Parties to discuss ways to resolve some or all of the

potentially time-consuming issues in the dockets, particularly the SPPCRC as it pertains to DEF, by agreement or stipulation in a manner that promotes regulatory economy and administrative efficiency and that serves the public interest. This SPP/SPPCRC 2020 Agreement is the product of those discussions and is being filed for approval in the above-styled Dockets to resolve some or all of the issues in those dockets as discussed further below.

E. The Parties have entered into this 2020 SPP/SPPCRC Agreement in compromise of positions taken in accord with their rights and interests under chapters 350, 366 and 120, Florida Statutes, as applicable, and as part of a negotiated exchange of consideration among the Parties to this 2020 SPP/SPPCRC Agreement. Each Party has agreed to concessions to the others with the expectation, intent, and understanding such that all provisions of the 2020 SPP/SPPCRC Agreement, upon approval by the Commission, will be enforced by the Commission as to all matters addressed herein with respect to all Parties.

F. The Parties agree that this 2020 SPP/SPPCRC Agreement is in the public interest and should be approved.

NOW, THEREFORE, in light of the mutual covenants of the Parties and the benefits accruing to all Parties through this 2020 SPP/SPPCRC Agreement, and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

1. Project-level Detail. Except for its Vegetation Management (VM) Programs, DEF has included project-level detail for all Programs for 2020 in its initial Storm Protection Plan (SPP) filed on April 10, 2020, for approval by the FPSC. As of May 27, 2020, DEF has provided project level detail to the Consumer Parties for costs expected to be requested for SPP cost recovery in 2021, included in DEF's current plan, recognizing that planning is on-

going and changes should be expected. As necessary, DEF will update this information when it files for cost recovery in the Storm Protection Plan Cost Recovery Clause (“SPPCRC”) later in 2020. The Parties agree that the following three Programs do not have project components: (1) Vegetation Management, (2) Distribution Pole Replacement and Inspection Activity, and (3) Transmission Pole/Tower Inspections; therefore, project-level detail is not needed or required in either discovery or the Company’s SPPCRC filing for these three programs for 2020 and 2021.

By the sooner of April 30, 2021 or when DEF files its projected 2022 SPPCRC costs, DEF will provide project-level detail to the Consumer Parties for costs expected to be requested for 2022 SPP cost recovery, included in DEF’s current plan at that time, recognizing that planning is on-going and changes should be expected. As necessary, DEF will update this information when it files for cost recovery in the SPPCRC later in 2021.

2. 2020 SPP Cost Recovery. DEF will not seek recovery of any revenue requirements incurred in 2020 through the SPPCRC.

3. Rate Base Items. DEF will be permitted to seek recovery of return on capital expenditures and assets related to the SPP programs, as well as the incremental depreciation expense for the SPP assets, in the following manner:

(a) DEF will not seek recovery of any revenue requirements incurred in 2020 through the SPPCRC. There may be limited capital expenditures incurred in 2020 associated with the activities DEF is requesting recovery for in 2021. For those programs that are approved by the Commission in DEF’s proposed SPP in 2020, DEF will include the Construction Work In Progress (“CWIP”) balances as of January 1, 2021 as the beginning SPPCRC Rate Base balances and calculate a return on these costs from January 1, 2021 forward for cost recovery in 2021.

(b) DEF is not seeking recovery of any targeted underground costs or Self Optimizing Grid costs through the SPPCRC in 2021. The costs for these programs are being recovered through DEF's current base rates pursuant to the 2017 Second Revised and Restated Settlement Agreement ("2017 Settlement Agreement") and will continue to be recovered through base rates. DEF represents that it has, or will by December 31, 2021 have, materially met its commitments in aggregate under the 2017 Settlement Agreement which included investments such as targeted underground (TUG) and Self Optimizing Grid (SOG). This does not preclude DEF from seeking recovery in the SPPCRC in future years of TUG or SOG costs, nor does it preclude any party from challenging whether, at that time, such costs are or were already being recovered through base rates.

(c) DEF is seeking to increase its investment in the wood pole replacement activities associated with its Transmission Structure Hardening program. DEF has averaged \$34.8 million of Transmission wood pole replacement expenditures annually over the 2017-2019 period. See Exhibit A attached hereto. The parties agree this is a reasonable estimate of what is currently included in base rates. For 2021, DEF will include an adjustment in the SPPCRC to remove the revenue requirements associated with \$34.8 million of pole replacement costs from recovery in 2021 (i.e., these costs will be recovered through base rates); any amount in excess of \$34.8 million will be eligible for recovery through the SPPCRC. For purposes of developing this credit, as shown in Exhibit A, DEF will reflect this expenditure evenly over the 12-month period where the total year-to-date ("YTD") adjustment amount used to develop the credit cannot exceed the YTD total expenditures in the activity in any month. In addition, for ease of accounting, any wood to non-wood pole projects expected to go in service in 2021 will be tracked using SPPCRC accounting. To ensure amounts incurred in 2020 related to these projects are not included for recovery through

the SPPCRC in 2021, an adjustment will be made in the SPPCRC filing to zero out the 2021 SPPCRC wood to non-wood beginning balance SPPCRC Rate Base. The two adjustments mentioned above will not be necessary once base rates are reset after expiration of the 2017 Settlement Agreement.

(d) The parties agree that the Distribution Feeder Hardening Program and the transmission cathodic protection and lattice tower replacement activities (incorporated within DEF's Transmission Structure Hardening Program in its proposed SPP) are new activities. For any of these activities approved by the Commission in DEF's SPP in 2020, any dollars prudently spent on these activities are eligible for recovery through the SPPCRC in 2021. The parties acknowledge that some minor start-up/engineering related costs may be incurred in preparation for these activities in 2020. To the extent such Program/activity-related costs are incurred in 2020, DEF will not request recovery of any revenue requirements associated with these costs incurred in 2020. DEF will include the CWIP balances related to these costs as of January 1, 2021 as the beginning SPPCRC Rate Base balances and calculate a return on these costs from January 1, 2021 forward for cost recovery through the SPPCRC.

(e) For 2021, DEF will continue to recover costs associated with its on-going distribution pole inspection and replacement activities through base rates. The Company will also not seek recovery of the Operations and Maintenances ("O&M") expenses from asset transfers related to the on-going distribution pole inspection and replacement activities through the SPPCRC. If the Commission approves DEF's Feeder Hardening Program included in its proposed SPP in 2020, the Parties agree that DEF may recover any pole replacement costs prudently incurred as part of that program through the SPPCRC beginning in 2021.

(f) To ensure that there is no double recovery between base rate revenue and SPPCRC revenue, the Company will employ the following protocols for capital items:

(i) For assets being retired and replaced with new assets as part of a program approved by the Commission in the Company's proposed SPP, the Company will not seek to recover the cost of removal net of salvage associated with the related assets to be retired through the SPPCRC. Rather, such net cost of removal will be debited to the Company's accumulated depreciation reserve according to normal regulatory plant accounting procedures.

(ii) Project records and fixed asset records for SPP capital projects will be maintained in a manner that clearly distinguishes capital and assets in retail rate base from capital and assets being recovered through the SPPCRC.

(iii) For SPP capital projects, any depreciation expense from the SPP asset additions will be reduced by the depreciation expense savings that result from the retirement of assets removed from service during the SPP project. Only the net of the two depreciation amounts will be recoverable through the SPPCRC.

(iv) Whenever the Company petitions for a change to its base rates and charges pursuant to sections 366.06 and/or 366.07, Florida Statutes, the assets being recovered through the SPPCRC that have been determined prudent through a final true-up in the SPPCRC by the Commission as of the end of the historic year presented in the Company's minimum filing requirements may, at the Company's option, be included in the Company's minimum filing requirement schedules and included in retail rate base for the applicable test year. Once recovery begins through base rates, these costs will simultaneously be removed from the SPPCRC. Thereafter, new SPP capital and assets related to SPP programs that were not included in the test year used to set base rates may be submitted for recovery through the SPPCRC petition process.

4. Operations and Maintenance Expenses.

(a) DEF will not request recovery of any O&M costs incurred in 2020 through the SPPCRC. DEF will not seek to recover Vegetation Management costs through the SPPCRC in 2021. In 2021, except as described below, DEF shall only be permitted to seek recovery of O&M costs associated with capital expenditures for SPP programs/projects that are approved by the Commission as part of DEF's proposed SPP in 2020 and that are approved for recovery in 2021 through the SPPCRC (costs associated with the Distribution Feeder Hardening Program or Transmission Structure Hardening Program). An example of this would be O&M activities associated with DEF's new Feeder Hardening program for wire transfer costs (reattaching existing wire to a new pole).

(b) If approved by the Commission as part of DEF's proposed SPP in 2020, DEF shall be permitted to seek recovery of the costs associated with the new drone inspection activities in its 2021 SPPCRC filing.

(c) Additionally, DEF will not include an estimate for implementation and administrative costs associated with items such as incremental Information Technology ("IT"), billing, legal, regulatory, travel and accounting costs in its projection filing for 2021; however, DEF is not prohibited from seeking recovery for costs of this nature in its 2021 estimated actual filing. This does not preclude any party from challenging the prudence of these costs, but acknowledges the Company's right to seek recovery in the future.

(d) DEF expects incremental O&M costs associated with an increase in its expenditures for the Company's wood to non-wood pole activities. DEF will be allowed recovery of prudently incurred O&M amounts associated with this activity in the same ratio that capital expenditures are included in the SPPCRC for 2021. For example, if the Company incurs capital costs of \$71 million

in 2021 and the amount recovered in base rates is \$34.8 million (as agreed to by the Parties in paragraph 3(c)), then DEF would remove O&M costs from the amount it seeks to recover based on a calculation of \$34.8 million divided by \$71 million. For this example, this would require removal of approximately 49% of the total O&M associated with this activity for recovery in 2021 through the SPPCRC.

(e) The Parties agree that cathodic protection, feeder hardening, and tower upgrade capital work are new activities and incremental to what DEF has previously included in base rates. As such, if the Commission approves these activities as part of DEF's proposed SPP, all O&M expenses that are prudently incurred in connection with these capital activities are appropriately recoverable through the SPPCRC.

5. Distribution Pole Replacements. Distribution Pole Replacement and Inspection Activity is an existing storm hardening activity under the Company's 2019-2021 Storm Hardening Plan ("SHP") that is included in the Company's SPP in Exhibit No. __ (JWO-1), § V. As explained in Exhibit No. __ (JWO-2), the existing Distribution Pole Replacement and Inspection Activity will be incorporated into the SPP Feeder and Lateral Hardening Program beginning in 2022. DEF will not seek recovery of the existing Distribution Pole Replacement and Inspection Activity costs through the SPPCRC prior to the 2021 SPPCRC filing for rates effective with the first billing cycle of 2022.

6. No Bundling. DEF will not, as a means of demonstrating that it has met the threshold for accruing Allowance for Funds Used During Construction ("AFUDC") in Rule 25-6.0141, Florida Administrative Code, aggregate SPP capital projects (a) that are not in the same geographic vicinity or (b) that would otherwise only be aggregated solely because the projects or activities: (i) are part of the same SPP program; (ii) will be performed by the same contractor; (iii)

are part of the same SPP program budget or (iv) are being managed by the same company project manager. If the FPSC amends the AFUDC Rule such that a utility is expressly authorized to aggregate projects as described above, DEF shall be permitted to implement that methodology notwithstanding anything contained herein.

7. Other SPP items.

(a) The Parties agree that the following existing SHP Initiatives are not part of the Company's SPP: Geographic Information System; Post-Storm Data Collection; Outage Data - Overhead and Underground Systems; Increase Coordination with Local Governments; Collaborative Research; and Disaster Preparedness and Recovery Plan.

(b) DEF and PCS agree that the 2017 Settlement Agreement did not contemplate a distinct rate recovery track, including the allocation of costs, for storm protection costs through the clause that is being established in accordance with the SPP statute and Rule. DEF and PCS agree that any allocation of SPP costs for the purposes of the SPPCRC to become effective for 2021 shall not be considered precedential, and that a proper allocation of SPP costs is required and should be implemented with DEF's next rate case.

(c) Nothing in this Agreement shall be construed to prevent any Party from challenging the reasonableness and/or prudence of all or part of any SPP program or project in any future proceeding or the reasonableness and/or prudence of any costs in any SPPCRC proceeding, nor limit the amount of allowed discovery as specified in the Order Establishing Procedure for Docket Nos. 20200069-EJ or 20200092-EI.

8. Accounting and Cost Estimating Methodologies. The parties recognize that the accounting and cost estimating methodologies DEF has employed in the past related to their SHP and other Grid investments were appropriate for those purposes; DEF is currently engaged in

revisiting and updating these processes to meet reporting needs associated with Section 366.96, F.S., and Rules 25-6.030 and 25-6.031, F.A.C. DEF agrees to work to align its presentation of cost estimating and recognition of actuals with the goal of presenting a meaningful comparison to the Commission related to SPP Programs. DEF agrees to address steps taken in this regard in the 2021 SPPCRC proceedings.

9. The parties agree this Settlement Agreement assumes DEF's base rates are reset on or about January 1, 2022. In the event this does not occur, DEF will continue to account for certain SPP costs through base rates in 2022 and DEF will show that any costs included in its 2022 projection filing are not also being recovered through base rates.

Executed, via electronic signature, the 17th day of July, 2020.

/s/ Catherine Stempien
Duke Energy Florida, LLC
Catherine Stempien
State President

/s/ J.R. Kelly
Office of Public Counsel
J.R. Kelly
Public Counsel

/s/ James Brew
White Springs Agricultural Chemicals, Inc.
d/b/a PCS Phosphate
James W. Brew
Stone Mattheis Xenopoulos & Brew

EXHIBIT A

DRINK FUTURE FUNDING, LLC
 Water Production Plant Cost Recovery Charge
 Calculation of Proposed Pro-Rata Amount
 January 2021, December 2021

FOR ILLUSTRATIVE / DISCUSSION PURPOSES ONLY

Return on Capital Investments, Depreciation and Taxes
 for Project Investment Activities - Based on New Public Pole Requirements - Transmission
 (in Dollars)

Line	Description	Beginning of Period Amount	Projected Jan-21	Projected Feb-21	Projected Mar-21	Projected Apr-21	Projected May-21	Projected Jun-21	Projected Jul-21	Projected Aug-21	Projected Sep-21	Projected Oct-21	Projected Nov-21	Projected Dec-21	End of Period Total
1	Investments														
a.	Depreciation Allowances	4,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$21,000,000
b.	Charging for Fuel	0	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	21,000,000
c.	Rate Replacement Activity Currently recovered through 2021 Base Rates	(4,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(21,000,000)
d.	Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	SPCCRC Plant in Service/Depreciation Base	\$0	0	1,200,000	7,300,000	10,400,000	12,500,000	14,600,000	17,700,000	21,800,000	25,900,000	28,000,000	32,100,000	36,200,000	36,200,000
3	Line Accumulated Depreciation	\$0	0	(17,800)	(221,975)	(619,750)	(891,800)	(1,268,500)	(1,751,175)	(2,349,125)	(3,062,800)	(3,892,800)	(4,749,125)	(5,731,175)	(5,731,175)
4	CMP - Non-Interest Bearing	\$0	0	0	0	0	0	0	0	0	0	0	0	0	0
5	Net Investment (Lines 2 - 3 - 4)	\$0	\$1,200,000	\$7,078,025	\$9,780,250	\$11,600,200	\$11,608,200	\$13,431,500	\$16,448,825	\$19,750,875	\$22,837,200	\$27,107,200	\$31,358,875	\$30,468,825	\$30,468,825
6	Average Net Investment	\$0	\$208,250	\$4,286,663	\$8,912,225	\$11,801,838	\$13,443,575	\$15,999,363	\$19,544,950	\$23,079,263	\$26,605,250	\$29,622,513	\$32,628,600	\$32,628,600	
7	Return on Average Net Investment (1)	Jan-Dec													
a.	Fixed Component	13.2%	\$0	\$912	\$6,461	\$13,439	\$17,356	\$20,901	\$24,989	\$29,806	\$35,958	\$43,573	\$45,174	\$51,284	285,943
b.	Equity Component (Grossed Up For Taxes)	6.18%	\$0	\$3,072	\$21,749	\$45,237	\$58,422	\$69,030	\$82,129	\$100,330	\$121,940	\$136,573	\$152,262	\$172,427	962,250
c.	Other		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0
8	Investment Expenses														
a.	Depreciation	3.30%	\$0	\$3,300	\$20,070	\$26,600	\$34,375	\$44,150	\$56,675	\$71,225	\$87,950	\$106,275	\$126,200	\$147,950	571,175
b.	Amortization		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0
c.	Contingent		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0
d.	Property Taxes	0.00761%	\$0	\$765	\$4,654	\$6,611	\$7,737	\$9,309	\$11,385	\$13,997	\$16,513	\$17,252	\$20,466	\$23,281	132,436
9	Total System Recoverable Expenses (Lines 7 - 8)		\$0	\$3,300	\$24,670	\$33,046	\$39,112	\$49,474	\$61,064	\$75,222	\$91,900	\$106,527	\$126,457	\$148,231	\$603,616
a.	Recoverable Costs Allocated to Energy		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0
b.	Recoverable Costs Allocated to Demand		\$0	\$8,049	\$21,930	\$29,306	\$35,122	\$43,871	\$54,689	\$68,535	\$84,737	\$101,998	\$120,541	\$140,541	\$595,174
10	Energy Jurisdictional Factor		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0
11	Demand Jurisdictional Factor - Distribution		0.70203	0.70203	0.70203	0.70203	0.70203	0.70203	0.70203	0.70203	0.70203	0.70203	0.70203	0.70203	0.70203
12	Recoverable Demand-Related Recoverable Costs		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
13	Recoverable Demand-Related Recoverable Costs		\$0	\$5,613	\$17,364	\$23,526	\$29,225	\$37,191	\$46,680	\$58,204	\$71,833	\$87,661	\$104,806	\$124,282	\$498,162
14	Total Jurisdictional Recoverable Costs (Lines 12 - 13)		\$0	\$5,613	\$17,364	\$23,526	\$29,225	\$37,191	\$46,680	\$58,204	\$71,833	\$87,661	\$104,806	\$124,282	\$498,162

Notes:
 Note 1: Assumed WACC will be updated as needed in SPCCRC filing to be consistent with Order PSC-2020-0300-PA-EEU in Docket No. 20-2018-EEU
 Note 2: Assumed spent by month is for illustrative purposes only. These numbers will be updated with SPCCRC filings.
 Note 3: Assumed beginning balance is for illustrative purposes only. Beginning balance will be adjusted out as shown so no revenue requirements associated with it will be recovered through SPCCRC in 2021.
 Note 4: Actual spent includes CDR consistent with spent eligible for recovery through SPCCRC.

Months Adjustment Base Calculation:
 Avg. Spent on Month to Recovered Taxes Rate Requirement
 = 2 months
 2021 = 482
 2020 = 342
 2019 = 316
 Average = 380 (Avg. Spent include CDR consistent with spent eligible for recovery through SPCCRC.)

DMR Expense	Projected Jan-21	Projected Feb-21	Projected Mar-21	Projected Apr-21	Projected May-21	Projected Jun-21	Projected Jul-21	Projected Aug-21	Projected Sep-21	Projected Oct-21	Projected Nov-21	Projected Dec-21	TOTAL 2021	2020	2019
TOTAL DMR	285,045	285,141	477,264	288,369	285,141	285,141	288,369	271,317	271,317	285,141	271,317	271,317	2,700,000		
SPCCRC DMR	16,889	176,222	241,389	162,246	176,222	176,222	162,246	189,131	189,131	176,222	189,131	189,131	1,506,138	53%	
Base DMR	13,796	129,919	235,875	126,123	129,919	129,919	126,123	159,187	159,187	129,919	159,187	159,187	1,193,862	42%	

Note 5: Assumed DMR spent by month is for illustrative purposes only. These numbers will be updated with SPCCRC filings.

EXHIBIT B

CONFIDENTIAL DOCUMENT PRODUCED FOR PURPOSES OF SETTLEMENT DISCUSSIONS ONLY

Exhibit B
 Page 1 of 3

Capital (millions)	Program	Activity	Recov Mech:		Notes	Expected Impacted Accounts
			Base	CRC		
			2021	2022		
Distribution	Feeder Hardening	Structure Strengthening, BIL, Conductor Upgrades, Relocating Difficult to Access Facilities, Replacing Oil-Filled Equipment	60.0	90.0	New program, no costs have been included in base rates. Planned inspection and pole replacement included in this line. Poles replaced due to an unplanned event, like a car hitting a pole, will continue to be recovered through base rates.	360, 364, 365, 368
Distribution	Feeder Hardening	Pole Inspection & Replacement	22.1	15.6		364, 365, 368
Distribution	Lateral Hardening	Lateral Undergrounding, OH Hardening, Structure Strengthening, Conductor Upgrades, Upgrade Open Wire Secondary, Fusing, Line Relocation, Hazard Tree	81.8 Part of \$22M shown above	140.0	Contains elements of legacy TUG and Detrriorated Conductor. Planned inspection and pole replacement included in this line. Poles replaced due to an unplanned event, like a car hitting a pole, will continue to be recovered through base rates.	360, 364, 365, 366, 367, 368
Distribution	Lateral Hardening	Pole Inspection & Replacement	79.7	40.0		364, 365, 367, 368
Distribution	SOG	Capacity, Connectivity, Automation		75.0		362, 364, 365, 366, 367, 368, 369
Distribution	UG Flood Mitigation	Raise pad mount xfmr, waterproof connections, submersible switchgear	N/A	0.5	This is a new program, no costs have been included in base rates.	366, 367, 368
Distribution	VM		1.9	1.9		364, 365, 368
Transmission	Structure Hardening	Wood to non-wood upgrade	34.8		2021 base amount is the 2017-2019 average.	355, 356
Transmission	Structure Hardening	Wood to non-wood upgrade	36.2	119.8		355, 356
Transmission	Structure Hardening	Tower Upgrade	2.0	4.0	New activity, no costs have been included in base rates.	354, 356
Transmission	Structure Hardening	Cathodic Protection	1.0	1.5	New activity, no costs have been included in base rates.	354, 356
Transmission	Structure Hardening	Gang Operated Air Break, OH Ground Wire	-	7.0	New activity, no costs have been included in base rates.	354, 355, 356
Transmission	Substation Flood Mitigation		-	-	New program, no costs have been included in base rates.	352, 353
Transmission	Loop Radially-Fed Substations		-	-	New program, no costs have been included in base rates.	350, 352, 353, 355, 356
Transmission	Substation Hardening	Breaker upgrades, electronic relays	5.5	7.5		352, 353
Transmission	VM		9.0	10.9		356

Note 1: Dollars shown above are consistent with DEF's Storm Protection Plan filed April 10, 2020. These values will change as Programs are engineered and implemented.
 Note 2: Accounts shown are DEF's expectation of accounts impacted by the Plan today. Other accounts could be impacted as actual costs are incurred.

CONFIDENTIAL DOCUMENT PRODUCED FOR PURPOSES OF SETTLEMENT DISCUSSION ONLY

Exhibit B
 Page 3 of 3

Capital

Account	Description	Area
362	Station Equipment	Distribution
364	Poles, towers and fixtures	Distribution
365	OH conductors and devices	Distribution
366	UG conduits	Distribution
367	UG conductors and devices	Distribution
368	Line transformers	Distribution
369	Services	Distribution
354	Towers and fixtures	Transmission
355	Poles and fixtures	Transmission
356	OH conductors and devices	Transmission
352	Structures and improvements	Transmission
353	Station Equipment	Transmission
361	Structures and improvements	Distribution
360	Land and land rights	Distribution
350	Land and land rights	Transmission
359	Roads and trails	Transmission

O&M

Account	Description	Area
408	Taxes other than income taxes, utility operating income.	Taxes
583	Overhead line expenses	Distribution
593	Maintenance of overhead lines	Distribution
594	Maintenance of underground lines	Distribution
563	Overhead line expenses	Transmission
571	Maintenance of OH Lines	Transmission
926	Employee pensions and benefits	Operation

ATTACHMENT A
STIPULATION AND SETTLEMENT AGREEMENT

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Storm Protection Plan Cost
Recovery Clause

Docket No. 20200092-EI

Dated: August 10, 2020

SPPCRC STIPULATION AND SETTLEMENT AGREEMENT

WHEREAS, Duke Energy Florida, LLC (“DEF”), Citizens through the Office of Public Counsel (“OPC”), White Springs Agricultural Chemicals, Inc. d/b/a PCS Phosphate (“PCS Phosphate”), and the Florida Industrial Power Users Group (“FIPUG”) (collectively, the “Parties”) have signed this SPPCRC Stipulation and Settlement Agreement (the “Agreement”); unless the context clearly requires otherwise, the term “Party” or “Parties” means a signatory to this Agreement;

WHEREAS, On June 27, 2019, the Governor of Florida signed CS/CS/CS/SB 796 addressing Storm Protection Plan Cost Recovery, which was codified in Section 366.96, F.S.;

WHEREAS, the Florida Legislature found in Section 366.96(1)(c), F.S., that it was in the State’s interest to “strengthen electric utility infrastructure to withstand extreme weather conditions by promoting the overhead hardening of electrical transmission and distribution facilities, the undergrounding of certain electrical distribution lines, and vegetation management,” and for each electric utility to “mitigate restoration costs and outage times to utility customers when developing transmission and distribution storm protection plans.” Section 366.96(1)(e), F.S.;

WHEREAS, the Florida Legislature directed each utility to file a ten-year Storm Protection Plan (“SPP”) that explains the storm hardening programs and projects the utility will implement to achieve the legislative objectives of reducing restoration costs and outage times associated with

extreme weather events and enhancing reliability. *See* Section 366.96(3), F.S.;

WHEREAS, The Florida Legislature directed the Florida Public Service Commission (“Commission”) to conduct an annual proceeding to determine the utility’s prudently incurred SPP costs and to allow the utility to recover such costs through a charge separate and apart from its base rates, to be referenced as the Storm Protection Plan Cost Recovery Clause (“SPPCRC”). *See* Section 366.96(7), F.S.;

WHEREAS, Section 366.96(8), F.S., and Rule 25-6.031(6)(b), F.A.C., provide that the SPP costs to be recovered through the SPPCRC may not include costs recovered through the utility’s base rates or any other cost recovery mechanism;

WHEREAS, Rule 25-6.030, F.A.C., requires each utility to file an updated SPP at least every three years that covers the utility’s immediate ten-year planning period and specifies the information to be included in each utility’s SPP;

WHEREAS, Rule 25-6.031, F.A.C., provides that after a utility has filed its SPP it may petition the Commission for recovery of the costs associated with the SPP and implementation activities and specifies the information to be included in each utility’s SPPCRC filings;

WHEREAS, on July 24, 2020, DEF filed its 2021 SPPCRC projection petition, supported by the testimonies and exhibits of Thomas G. Foster (Exhibit No. __ (TGF-1) and Jay Oliver;

WHEREAS, the Parties engaged in significant discovery in the SPP docket, and have thoroughly reviewed and evaluated DEF’s 2020-2029 SPP and;

WHEREAS, the Parties have entered into this Agreement in compromise of positions taken in accord with their rights and interests under Chapters 350, 366, and 120, Florida Statutes, as applicable, and as a part of the negotiated exchange of consideration among the Parties to this Agreement each has agreed to concessions to the others with the expectation that all provisions of

the Agreement will be enforced by the Commission as to all matters addressed herein with respect to all Parties regardless of whether a court ultimately determines such matters to reflect Commission policy, upon acceptance of the Agreement as provided herein and upon approval as in the public interest;

WHEREAS, the Parties have entered into a Stipulation and Settlement Agreement that, if approved, resolves all issues in the Docket No. 20200069-EI;

WHEREAS; the Parties have entered into this SPPCRC Stipulation and Settlement with the intent of resolving all issues in Docket No. 20200092-EI should the Commission approve the Stipulation and Settlement Agreement in the SPP Docket; and

NOW THEREFORE, in consideration of the foregoing and the covenants contained herein, the Parties hereby stipulate and agree:

DEF 2021 PROJECTED SPPCRC FILING

(Docket No. 20200092-EI)

1. The Parties agree that the Commission has a record basis to approve the reasonableness of costs presented in DEF's Petition and testimonies in Docket No. 20200092-EI for cost recovery in 2021.
2. The Parties agree that the Commission has a record basis presented in DEF's Petition and testimonies in Docket No. 20200092-EI to approve the reasonableness of the revenue requirements to be collected by DEF through the SPPCRC in 2021.
3. The Parties agree that DEF should implement the SPPCRC rate factors as shown on DEF exhibit TGF-1, page 14, for 2021, but that such rates shall not be deemed precedential for future SPPCRC purposes. The Parties further agree that the recovery of SPP costs through the SPPCRC may be affected by DEF's next base rate case if SPP-related expenditures (both capital and operating) shift from base rates to SPPCRC

recovery. The OPC takes no position with regard to this provision, and the other signatories agree that this issue should be addressed in the 2021 SPPCRC docket, consistent with any SPP related base rate changes, and with any changes to be implemented in the 2022 SPPCRC billings.

4. The Parties agree that DEF should be permitted to seek recovery of the development of its initial 2020-2029 SPP development costs through the SPPCRC, provided that DEF has the burden of proving the reasonableness and prudence of those costs, and all intervenor parties retain their right to challenge the reasonableness and prudence thereof, in the applicable SPPCRC proceeding. The Parties agree that to the extent this provision is construed to conflict with either the 2020 SPP/SPPCRC Settlement (filed July 17, 2020 in Docket Nos. 20200069-EI and 20200092-EI) or the 2020 SPP Settlement Agreement (filed July 31, 2020 in Docket No. 20200069-EI), this paragraph controls over the conflicting provision(s) in those Agreements.
5. OPC and PCS Phosphate retain the right to challenge the prudence of any project or costs submitted by DEF for recovery through the SPPCRC in 2021 at the appropriate time.
6. The Parties stipulate to enter into the record the testimonies and exhibits of Thomas G. Foster and Jay Oliver. If this Agreement is approved in its entirety, the Parties likewise waive cross-examination of any and all witnesses and waive the filing of post-hearing briefs.
7. Nothing in the Agreement will have precedential value.
8. The provisions of the Agreement are contingent upon approval by the Commission in its entirety without modification. Except as expressly set out herein, no Party agrees, concedes, or waives any position with respect to any of the issues identified in the

Prehearing Order, and this Agreement does not expressly address any specific issue, or any position taken thereon. The Parties will support approval of the Agreement and will not request or support any order, relief, outcome, or result in conflict with it. No Party to the Agreement will request, support, or seek to impose a change to any provision of the Agreement. Approval of the Agreement in its entirety will resolve all matters and issues in this docket. This docket will be closed effective on the date that the Commission Order approving this Agreement is final, and no Party to the Agreement will seek appellate review of any order issued in this docket.

9. The Parties agree that approval of the Agreement is in the public interest.
10. This Agreement may be executed in counterpart originals, and a scanned .pdf copy of an original signature shall be deemed an original, or via electronic signature. Any person or entity that executes a signature page to this Agreement shall become and be deemed a Party with the full range of rights and responsibilities provided hereunder, notwithstanding that such person or entity is not listed in the first recital above and executes the signature page subsequent to the date of this Agreement, it being expressly understood that the addition of any such additional Party(ies) shall not disturb or diminish the benefits of this Agreement to any current Party.

Executed this 10th day of August, 2020.

By: /s/Matthew R. Bernier

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