

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:** December 3, 2020

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

**FROM:** Division of Accounting and Finance (Higgins) **ALM**  
Division of Economics (Draper) **JGH**  
Division of Engineering (Ellis, Wooten) **TB**  
Office of the General Counsel (Brownless) **JSC**

**RE:** Docket No. 20200001-EI – Fuel and purchased power cost recovery clause with generating performance incentive factor.

**AGENDA:** 12/15/20 – Special Agenda – Post-Hearing Decision – Participation is Limited to Commissioners and Staff

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** Fay

**CRITICAL DATES:** None

**SPECIAL INSTRUCTIONS:** None

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### Case Background

As part of the continuing fuel and purchased power adjustment and generating performance incentive clause proceedings, an administrative hearing was held by the Florida Public Service Commission (Commission) on November 3, 2020. The purpose of this hearing was to review and ultimately determine electric service providers' period-specific fuel and fuel-related service costs, net purchased power costs, incentives associated with the efficient operation of generation facilities, and capacity-related service costs. These service costs are recovered through the fuel and capacity cost recovery factors that are set annually in this docket.

At the November 3, 2020 hearing, all issues for Florida Power & Light Company, Florida Public Utilities Company, Gulf Power Company, and Tampa Electric Company were resolved by a bench

vote approving the proposed stipulations and staff's oral recommendations on non-stipulated issues.<sup>1</sup> None of Duke Energy Florida, LLC's (DEF) issues were resolved at the November 3, 2020 hearing. With regard to DEF's issues, at hearing, witness Menendez testified on behalf of DEF and was cross-examined by the parties. In lieu of closing arguments on DEF's issues, the Office of Public Counsel (OPC), Florida Industrial Power Users Group (FIPUG), and White Springs Agricultural Chemicals, Inc. d/b/a PCS Phosphate – White Springs (PCS Phosphate), collectively referred to herein as Intervenors, agreed to brief only DEF Issues 1A, 10, 11, 18, 20 and 22 and to treat all other DEF issues, Issues 6-9, 16, 17, 19, 21, 23A-D, 27-36, as Type 2 stipulations.<sup>2</sup> (TR 541-545) DEF, PCS Phosphate, and OPC and FIPUG jointly, filed briefs on Issues 1A, 10, 11, 18, 20, and 22 on November 10, 2020.

This recommendation addresses all of DEF's issues. The Commission is vested with jurisdiction over the subject matter by the provisions of Chapter 366, Florida Statutes (F.S.), including Sections 366.04, 366.05, and 366.06, F.S.

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<sup>1</sup>Order No. PSC-2020-0415-PHO-EI, issued October 30, 2020, in Docket No. 20200001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor*, and Order No. PSC-2020-0439-FOF-EI, issued November 16, 2020, Docket No. 20200001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor*.

<sup>2</sup>A Type 2 stipulation occurs on an issue when the utility and the staff, or the utility and at least one party adversarial to the utility, agree on the resolution of the issue and the remaining parties (including staff if they do not join in the agreement) do not object to the Commission relying on the agreed language to resolve that issue in a final order.

## Discussion of Issues

**Issue 1A:** What action should be taken in response to Commission Order No. PSC-2020-0368-FOF-EI regarding the Bartow Unit 4 February 2017 outage?

**Recommendation:** DEF was granted a stay of Commission Order Nos. PSC-2020-0368-FOF-EI and PSC-2020-0368A-FOF-EI on December 1, 2020. Thus, staff recommends that no further action be taken until the appellate review process is concluded. (Brownless)

### **Position of the Parties**

**DEF:** No action should be taken at this time. The Commission should grant DEF's Motion for Stay Pending Judicial Review. Pursuant to Rule 25-22.061(1), F.A.C., upon motion by an affected utility, the Commission shall stay the effectiveness of any ordered refund or decrease in rates pending judicial review of the order.

**OPC/FIPUG:** DEF should credit the 2021 fuel (along with a reasonable estimate of interest subject to true-up in a subsequent proceeding), to adjust for the prior overcollection of imprudently incurred replacement power costs emanating from the 2017 outage at Bartow Unit 4.

**PCS Phosphate:** Based on Order No. PSC-2020-0368-FOF-EI, issued October 15, 2020, the Commission should direct DEF to reduce its proposed cost recovery amounts for January 2021 through December 2021 by \$16.1 million, plus interest, to credit the fuel clause recovery for costs relating to the replacement power and de-rating of Bartow Unit 4.

### **Staff Analysis:**

## Parties' Arguments

DEF argued in its post-hearing brief that under Rule 25-22.061(1), Florida Administrative Code (F.A.C.), upon filing an appeal of Order Nos. PSC-2020-0368-FOF-EI and PSC-2020-0368A-FOF-EI, it is automatically entitled a stay of the order's effectiveness under the plain language of the rule. (DEF BR 6)

OPC and FIPUG (Joint Parties) argued in their joint post-hearing brief that DEF's fuel cost recovery amount for 2021 should reflect an adjustment for the over-collection of approximately \$16.1 million plus interest emanating from the 2017 outage of Bartow Unit 4.<sup>3</sup> (Joint Parties BR 4)

PCS Phosphate argued in its post-hearing brief that pursuant to Order No. PSC-2020-0368-FOF-EI, DEF's cost recovery amounts for January 2021 through December 2021 should be reduced by approximately \$16.1 million, plus interest, to credit for replacement power and de-rating costs related to the April 2017 outage of Bartow Unit 4. (PCS Phosphate BR 2)

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<sup>3</sup>The "Joint Parties" consist of OPC and FIPUG. The Joint Parties filed a single, or joint post-hearing brief.

## **Analysis**

The arguments of all parties presented in their post-hearing briefs are related to DEF's Motion for Stay and Amended Motion for Stay of Order Nos. PSC-2020-0368-FOF-EI and PSC-2020-0368A-FOF-EI, filed on October 15 and October 29, 2020, respectively. These orders established fuel cost recovery for DEF which denied DEF's filed exceptions on these issues and adopted the recommended order issued by the administrative law judge following an evidentiary hearing held on February 4-5, 2020. In Order Nos. PSC-2020-0368-FOF-EI and PSC-2020-0368A-FOF-EI, the Commission found that DEF failed to demonstrate that it acted prudently in the operation of its Bartow Unit 4 plant and in restoring the unit to service after the February 2017 forced outage, and that DEF should refund a total of \$16,116,782 to its customers.

In its Motions for Stay, DEF argued that since it was ordered to pay a refund, the plain language of Rule 25-22.061(1), F.A.C., required that the Commission grant a stay pending appeal. OPC, FIPUG and PCS Phosphate argued that because of the self-correcting nature of the fuel cost recovery clause, Rule 25-22.061(1), F.A.C., should not apply to the fuel clause docket.

On December 1, 2020, the Commission voted to grant DEF's Motion for Stay and Amended Motion for Stay of Order Nos. PSC-2020-0368-FOF-EI and PSC-2020-0368A-FOF-EI pending the resolution of DEF's appeal. Therefore, at this time no further action can be taken until the appeal is resolved.

## **Conclusion**

DEF was granted a stay of Commission Order Nos. PSC-2020-0368-FOF-EI and PSC-2020-0368A-FOF-EI on December 1, 2020. Thus, staff recommends that no further action be taken until the appellate review process is concluded.

**Issue 6:** What are the appropriate actual benchmark levels for calendar year 2020 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

**Recommendation:** Staff recommends the Commission find the appropriate actual benchmark level of gains on non-separated energy sales eligible for a shareholder incentive in 2020 is \$1,602,141. (Higgins)

**Position of the Parties**

**DEF:** \$1,602,141.

**OPC:** OPC takes no position on this issue nor does it have the burden of proof related to it. As such, the OPC represents that it will not contest or oppose the Commission taking action approving a proposed stipulation between the Company and another party or Staff as a final resolution of the issue. No person is authorized to state that the OPC is a participant in, or party to, a stipulation on this issue, either in this docket, in an order of the Commission or in a representation to a Court.

**FIPUG:** Adopt the position of OPC.

**PCS Phosphate:** Agree with OPC.

**Staff Analysis:** The purpose of this issue is to determine DEF's 2020 benchmark for gains on non-separated wholesale energy sales eligible for a shareholder incentive. The appropriate benchmark is a three-year rolling average of actual prior gains on non-separated wholesale energy sales. DEF's customers will retain 100 percent of the gain at or below the benchmark level, and 80 percent above the benchmark level, while DEF's shareholders will retain 20 percent of the gain in excess of the prior three-year rolling benchmark. This methodology was approved by the Commission in Order No. PSC-01-2371-FOF-EI.<sup>4</sup> The relevant time period of staff's analysis is calendar years 2017 through 2019.

The record evidence in this proceeding, proffered by DEF witness Menendez, indicates the 2017-2019 benchmark, or three-year rolling average gain on economy sales is \$1,602,141. (EXH 2)

**Conclusion**

Staff recommends the Commission find the appropriate actual benchmark level of gains on non-separated energy sales eligible for a shareholder incentive in 2020 is \$1,602,141.

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<sup>4</sup>Order No. PSC-01-2371-FOF-EI, issued December 7, 2001, in Docket No. 010283-EI, *In re: Calculation of gains and appropriate regulatory treatment for non-separated wholesale energy sales by investor-owned electric utilities.*

**Issue 7:** What are the appropriate estimated benchmark levels for calendar year 2021 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

**Recommendation:** Staff recommends the Commission find the appropriate estimated benchmark level of gains on economy sales eligible for a shareholder incentive in 2021 is \$1,682,538. (Higgins)

**Position of the Parties**

**DEF:** \$1,682,538.

**OPC:** OPC takes no position on this issue nor does it have the burden of proof related to it. As such, the OPC represents that it will not contest or oppose the Commission taking action approving a proposed stipulation between the Company and another party or Staff as a final resolution of the issue. No person is authorized to state that the OPC is a participant in, or party to, a stipulation on this issue, either in this docket, in an order of the Commission or in a representation to a Court.

**FIPUG:** Adopt the position of OPC.

**PCS Phosphate:** Agree with OPC.

**Staff Analysis:** The purpose of this issue is to determine DEF's 2021 estimated benchmark for gains on non-separated wholesale energy sales eligible for shareholder incentive. DEF's customers will retain 100 percent of the gain at or below the benchmark level, and 80 percent above the benchmark level, while DEF's shareholders will retain 20 percent of the gain in excess of the prior three-year rolling average. This methodology was approved by the Commission in Order Nos. PSC-00-1744-FOF-EI and PSC-01-2371-FOF-EI.<sup>5</sup>

The record evidence in this proceeding, as proffered by DEF witness Menendez, indicates DEF's 2021 estimated benchmark for gains on non-separated wholesale energy sales eligible for a shareholder incentive is \$1,682,538. (EXH 7)

**Conclusion**

Staff recommends the Commission find the appropriate estimated benchmark level of gains on economy sales eligible for a shareholder incentive in 2021 is \$1,682,538.

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<sup>5</sup>Order No. PSC-00-1744-PAA-EI, issued September 26, 2000, in Docket No. 991779-EI, *In re: Review of the appropriate application of incentives to wholesale power sales by investor-owned electric utilities*, and Order No. PSC-01-2371-FOF-EI, issued December 7, 2001, in Docket No. 010283-EI, *In re: Calculation of gains and appropriate regulatory treatment for non-separated wholesale energy sales by investor-owned electric utilities*.

**Issue 8:** What are the appropriate final fuel adjustment true-up amounts for the period January 2019 through December 2019?

**Recommendation:** Staff recommends the appropriate final fuel adjustment true-up amount for the period January 2019 through December 2019 is an under-recovery of \$21,535,230, which was incorporated in DEF's mid-course fuel factors approved by Order No. PSC-2020-0154-PCO-EI. (Higgins)

**Position of the Parties**

**DEF:** \$21,535,230 under-recovery, which was collected as part of DEF's Fuel Midcourse approved in Order No. PSC-2020-0154-PSC[sic]-EI.

**OPC:** OPC takes no position on this issue nor does it have the burden of proof related to it. As such, the OPC represents that it will not contest or oppose the Commission taking action approving a proposed stipulation between the Company and another party or Staff as a final resolution of the issue. No person is authorized to state that the OPC is a participant in, or party to, a stipulation on this issue, either in this docket, in an order of the Commission or in a representation to a Court.

**FIPUG:** Adopt the position of OPC.

**PCS Phosphate:** Agree with OPC.

**Staff Analysis:** The purpose of this issue is to determine DEF's final fuel revenue true-up amount for the period January 2019 through December 2019. This final fuel revenue true-up represents the difference between calendar-year 2019 actual fuel cost and period-applicable revenue that was collected to cover such cost. The record evidence in this proceeding indicates the final fuel revenue true-up amount for the period January 2019 through December 2019 is an under-recovery of \$21,535,230. (EXH 2) However, on April 2, 2020, DEF filed its *Emergency Petition for a Temporary Mid-Course Correction* (MCC Petition) for the purpose of reducing its then-current fuel cost recovery factors.<sup>6</sup>

Through the MCC Petition, DEF sought authorization to lower its annual level of fuel cost recovery through a fuel factor (rate) reduction occurring the month of May 2020. As part of the MCC Petition, DEF included the 2019 final fuel revenue under-recovery of \$21,535,230 in developing its then-proposed mid-course factors, which were ultimately approved by the Commission in Order No. PSC-2020-0154-PCO-EI.<sup>7</sup> Thus, the record evidence in this proceeding, as proffered by DEF witness Menendez, indicates the final fuel adjustment true-up amount for the period January 2019 through December 2019 is an under-recovery of \$21,535,230, which for recovery purposes was incorporated in DEF's mid-course fuel factors.<sup>8</sup>

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<sup>6</sup>Commission Document No. 01736-2020.

<sup>7</sup>Order No. PSC-2020-0154-PCO-EI, issued May 14, 2020, in Docket No. 20200001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor*.

<sup>8</sup>*Id.*

**Conclusion**

Staff recommends the appropriate final fuel adjustment true-up amount for the period January 2019 through December 2019 is an under-recovery of \$21,535,230, which was incorporated in DEF's mid-course fuel factors approved by Order No. PSC-2020-0154-PCO-EI.



**Issue 9:** What are the appropriate fuel adjustment actual/estimated true-up amounts for the period January 2020 through December 2020?

**Recommendation:** Staff recommends the actual/estimated fuel revenue true-up amount for the period January 2020 through December 2020 is an over-recovery of \$160,850,438. (Higgins)

**Position of the Parties**

**DEF:** \$160,850,438 over-recovery.

**OPC:** OPC takes no position on this issue nor does it have the burden of proof related to it. As such, the OPC represents that it will not contest or oppose the Commission taking action approving a proposed stipulation between the Company and another party or Staff as a final resolution of the issue. No person is authorized to state that the OPC is a participant in, or party to, a stipulation on this issue, either in this docket, in an order of the Commission or in a representation to a Court.

**FIPUG:** Adopt the position of OPC.

**PCS Phosphate:** Agree with OPC.

**Staff Analysis:** The purpose of this issue is to determine DEF's actual/estimated fuel revenue true-up amount for the period January 2020 through December 2020. The actual/estimated fuel revenue true-up is based on six months (January-June 2020) of actual fuel cost- and revenue-related data, and a re-estimated six months (July-December 2020) of fuel cost- and revenue-related data relative to the initial 12-month projection performed the prior year.

The record evidence in this proceeding indicates the actual/estimated fuel revenue true-up amount for the period January 2020 through December 2020 is an over-recovery of \$160,850,438. (EXH 6) However, DEF incorporated a two-month actual/ten-month estimated 2020 fuel revenue net over-recovery of \$78,231,785 (\$99,767,015 gross projected 2020 over-recovery) in developing its then-proposed mid-course fuel factors that were approved by the Commission in Order No. PSC-2020-0154-PCO-EI.<sup>9</sup> As such, the effective remaining actual/estimated true-up amount to be included in DEF's 2021 fuel cost recovery factors, which is the subject of Issue 10, is an over-recovery of \$61,083,424. (EXH 6)

**Conclusion**

Staff recommends the actual/estimated fuel revenue true-up amount for the period January 2020 through December 2020 is an over-recovery of \$160,850,438.

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<sup>9</sup>Order No. PSC-2020-0154-PCO-EI.

**Issue 10:** What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January 2021 through December 2021?

**Recommendation:** Staff recommends the appropriate total fuel adjustment true-up amount to be refunded from January 2021 through December 2021 is an over-recovery of \$61,083,424. (Higgins)

**Position of the Parties**

**DEF:** \$61,083,424 over-recovery.

**OPC:** The OPC believes this is a fallout issue that is subject to the resolution of Issues 1A and 11.

**FIPUG:** Adopt the position of OPC.

**PCS Phosphate:** Agree with OPC.

**Staff Analysis:** The purpose of this issue is to determine the net amount of prior and current period over- or under-collected revenue to be accounted for in setting the future period (2021) fuel factor.

As was discussed in Issue 8, the record evidence in this proceeding indicates the final fuel revenue true-up amount for the period January 2019 through December 2019 is an under-recovery of \$21,535,230. (EXH 2) Further, as discussed in Issue 9, the actual/estimated or current period fuel revenue true-up amount for the period January 2020 through December 2020 is an over-recovery of \$160,850,438. (EXH 6) However, DEF accounted for a two-month actual/ten-month estimated 2020 fuel revenue net over-recovery of \$78,231,785 (\$99,767,015 gross projected 2020 over-recovery) to develop its then-proposed mid-course fuel factors that were approved by the Commission in Order No. PSC-2020-0154-PCO-EI.<sup>10</sup> As such, the effective remaining actual/estimated true up amount to be included in setting DEF's 2021 fuel cost recovery factors is an over-recovery of \$61,083,424. (EXH 6)

**Conclusion**

Staff recommends the appropriate total fuel adjustment true-up amount to be refunded from January 2021 through December 2021 is an over-recovery of \$61,083,424.

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<sup>10</sup>Order No. PSC-2020-0154-PCO-EI.

**Issue 11:** What are the appropriate projected total fuel and purchased power cost recovery amounts for the period January 2021 through December 2021?

**Recommendation:** Staff recommends the total projected fuel and purchased power costs for the period of January 2021 through December 2021 is \$1,279,043,741. (Higgins)

**Position of the Parties**

**DEF:** \$1,279,043,741, which is adjusted for line losses and excludes prior period true-up amounts, revenue taxes and GPIF amounts.

**OPC/FIPUG:** The fuel cost recovery factors for 2021 should reflect an adjustment for the overcollection of \$16.1 million (along with a reasonable estimate of interest (subject to true-up in a subsequent proceeding)) in imprudently incurred replacement power costs emanating from the 2017 outage at Bartow Unit 4.

**PCS Phosphate:** Pursuant to Order No. PSC-2020-0368-FOF-EI, DEF's cost recovery amounts for January 2021 through December 2021 should be reduced by \$16.1 million, plus interest, to credit the fuel clause recovery for costs relating to the replacement power and de-rating of Bartow Unit 4.

**Staff Analysis:**

**Parties' Arguments**

DEF believes the appropriate projected total fuel and purchased power cost recovery amount for 2021 is \$1,279,043,741. (DEF BR 6)

The Joint Parties argued in their post-hearing brief that DEF's fuel cost recovery factor for 2021 should reflect an adjustment for the over-collection of approximately \$16.1 million plus interest resulting from the 2017 outage of Bartow Unit 4. (Joint Parties BR 4)

PCS Phosphate argued in its post-hearing brief that it believes pursuant to Order No. PSC-2020-0368-FOF-EI, that DEF's cost recovery amounts for January 2021 through December 2021 should be reduced by approximately \$16.1 million, plus interest, to credit for replacement power and de-rating costs related to the April 2017 outage of Bartow Unit 4. (PCS Phosphate BR 2)

**Analysis**

The purpose of this issue is to determine the total projected jurisdictional fuel and purchased power costs for the period of January 2021 through December 2021. The total projected jurisdictional 2021 fuel and purchased power costs consist of fuel costs for self-generation and purchased power, as well as credits for economy, stratified, and wholesale energy sales. An adjustment to account for jurisdictional line losses is also incorporated. Staff notes the net 2021 fuel cost (i.e. after incorporating the true up, taxes, and other adjustments) is addressed in Issue 18.

Concerning the arguments brought forth by the Joint Parties and PCS Phosphate in regards to Order Nos. PSC-2020-0368-FOF-EI and PSC-2020-0368A-FOF-EI, the Commission issued a stay of these orders during the December 1, 2020 Commission Conference. Thus, there are currently no additional or new matters to discuss pending the completion of DEF's appeal of Order Nos. PSC-2020-0368-FOF-EI and PSC-2020-0368A-FOF-EI.

The record evidence in this proceeding, as proffered by DEF witness Menendez, indicates the total projected fuel and purchased power costs for the period of January 2021 through December 2021 is \$1,279,043,741. (EXH 7)

### **Conclusion**

Staff recommends the total projected fuel and purchased power costs for the period of January 2021 through December 2021 is \$1,279,043,741.

**Issue 16:** What is the appropriate GPIF reward or penalty for performance achieved during the period January 2019 through December 2019 for each investor-owned electric utility subject to the GPIF?

**Recommendation:** Staff recommends the appropriate GPIF reward applicable to DEF for the period January 2019 through December 2019 is \$4,407,712. (Higgins, Ellis, Wooten)

**Position of the Parties**

**DEF:** A reward of \$4,407,712.

**OPC:** OPC takes no position on this issue nor does it have the burden of proof related to it. As such, the OPC represents that it will not contest or oppose the Commission taking action approving a proposed stipulation between the Company and another party or Staff as a final resolution of the issue. No person is authorized to state that the OPC is a participant in, or party to, a stipulation on this issue, either in this docket, in an order of the Commission or in a representation to a Court.

**FIPUG:** Adopt the position of OPC.

**PCS Phosphate:** Agree with OPC.

**Staff Analysis:** The purpose of this issue is to determine the appropriate generating performance incentive factor (GPIF) reward or penalty for actual generating unit availability and heat rate efficiency during the period January 2019 through December 2019.

The purpose of the GPIF program is to encourage generating utilities to maximize the heat rate efficiency of their production units. A generating utility will either achieve a reward, or incur a penalty, based on actual plant operational performance relative to specific efficiency targets that are set annually in this proceeding (Issue 17).

The 2019 GPIF efficiency targets currently applicable to DEF were specified by the Commission in Order No. PSC-2018-0610-FOF-EI.<sup>11</sup> The record evidence in this proceeding, as proffered by DEF witness Lewter, indicates that the appropriate GPIF reward applicable to DEF for the period January 2019 through December 2019 is \$4,407,712. (EXH 8)

**Conclusion**

Staff recommends the appropriate GPIF reward applicable to DEF for the period January 2019 through December 2019 is \$4,407,712.

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<sup>11</sup>Order No. PSC-2018-0610-FOF-EI, issued December 26, 2018, Docket No. 20180001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor.*

**Issue 17:** What should the GPIF targets/ranges be for the period January 2021 through December 2021 for each investor-owned electric utility subject to the GPIF?

**Recommendation:** Staff recommends the appropriate GPIF targets and ranges applicable to DEF for the period January 2021 through December 2021 are as listed in Table 17-1. (Higgins, Ellis, Wooten)

**Position of the Parties**

**DEF:** The appropriate targets and ranges are shown on Page 4 of Exhibit MIL-1P filed on September 3, 2020 with the Direct Testimony of Mary Ingle Lewter.

**OPC:** OPC takes no position on this issue nor does it have the burden of proof related to it. As such, the OPC represents that it will not contest or oppose the Commission taking action approving a proposed stipulation between the Company and another party or Staff as a final resolution of the issue. No person is authorized to state that the OPC is a participant in, or party to, a stipulation on this issue, either in this docket, in an order of the Commission or in a representation to a Court.

**FIPUG:** Adopt the position of OPC.

**PCS Phosphate:** Agree with OPC.

**Staff Analysis:** The purpose of this issue is to determine the appropriate GPIF targets and ranges for generating unit availability and heat rate efficiency performance during the future period of January 2021 through December 2021. The purpose of the GPIF program is to encourage generating utilities to maximize the heat rate efficiency of their production units. A generating utility will either achieve a reward, or incur a penalty, based on actual plant operational performance relative to specific efficiency targets that are set annually in this proceeding and issue.

The record evidence in this proceeding, as proffered by DEF witness Lewter, indicates that the GPIF targets and ranges applicable to DEF for the period January 2021 through December 2021 are listed below in Table 17-1:

**Table 17-1  
 GPIF Targets/Ranges for the period January-December, 2021**

Plant/Unit		Equivalent Availability Factor			Average Net Operating Heat Rate		
		Target	Maximum		Target	Maximum	
		EAF (%)	EAF (%)	Savings (000)	ANOHR Btu/kWh	ANOHR Btu/kWh	Savings (000)
DEF	Bartow 4	91.05	93.10	\$523	7,705	7,950	\$4,418
	Crystal River 4	86.11	92.55	2,187	10,299	10,885	5,836
	Crystal River 5	81.01	86.28	1,626	10,434	11,058	5,056
	Hines 1	84.13	85.91	193	7,470	7,599	621
	Hines 2	94.71	95.40	41	7,402	7,599	1,173
	Hines 3	73.66	74.45	201	7,174	7,373	1,210
	Hines 4	93.68	94.85	<u>317</u>	6,999	7,173	<u>1,625</u>
	<b>Total*</b>			<u>\$5,087</u>			<u>\$19,938</u>

Source: (EXH 9)

\*May not compute exactly due to rounding.

**Conclusion**

Staff recommends the appropriate GPIF targets and ranges applicable to DEF for the period January 2021 through December 2021 are as listed in Table 17-1.

**Issue 18:** What are the appropriate projected net fuel and purchased power cost recovery and Generating Performance Incentive amounts to be included in the recovery factor for the period January 2021 through December 2021?

**Recommendation:** Staff recommends the appropriate projected net fuel and purchased power costs and GPIF amount to be included in setting the recovery factor for the period January 2021 through December 2021 is \$1,223,244,961. (Higgins)

**Position of the Parties**

**DEF:** \$1,223,244,961.

**OPC/FIPUG:** The net fuel and purchased power cost recovery and Generating Performance Incentive amounts included in the recovery factor for 2021 should reflect an adjustment for the overcollection of \$16.1 million (along with a reasonable estimate of interest (subject to true-up in a subsequent proceeding)) in imprudently incurred replacement power costs emanating from the 2017 outage at Bartow Unit 4.

**PCS Phosphate:** Agree with OPC.

**Staff Analysis:**

**Parties' Arguments**

DEF believes the appropriate projected net fuel and purchased power cost recovery and Generating Performance Incentive amount to be included in developing the recovery factor for 2021 is \$1,223,244,961. (DEF BR 6)

The Joint Parties argued in their post-hearing brief that the total net fuel and purchased power cost recovery and Generating Performance Incentive amount included in the recovery factor for 2021 should reflect an adjustment for the over-collection of \$16.1 million with interest emanating from the 2017 outage at Bartow Unit 4.<sup>12</sup> (Joint Parties BR 5)

PCS Phosphate concurs with the position of the OPC, or by extension, the Joint Parties. (PCS Phosphate BR 2)

**Analysis**

The purpose of this issue is to identify the appropriate net amount of fuel and purchased power costs to be included in developing the recovery factor for the period of January 2021 through December 2021. This issue is essentially a “fall-out” issue, where the dollar values of prior or forthcoming decisions are tabulated and summed to arrive at the recommended amount to recover. The relevant components required to calculate the projected 2021 recovery amount are: total jurisdictional fuel and purchase power cost (adjusted for line losses), total true-up, revenue tax,



and the GPIF amount. The derivation of DEF's 2021 fuel cost recovery amount is shown in Table 18-1 below:

**Table 18-1**  
**DEF 2021 Fuel Cost Recovery**

<b>Factor Component</b>	<b>Amount</b>
Jurisdictional Fuel and P.P. Cost (Issue 11)	\$1,279,043,741
Total True-up (Issues 8, 9, and 10)	(61,083,424)
Revenue Tax (Issue 19)	876,931
GPIF (Issue 16)	4,407,712
<b>Total*</b>	<b>\$1,223,244,961</b>

Sources: (EXH 2, EXH 6, EXH 7, EXH 8)

\*May not compute exactly due to rounding.

Concerning the arguments brought forth by the Joint Parties and PCS Phosphate in regards to Order Nos. PSC-2020-0368-FOF-EI and PSC-2020-0368A-FOF-EI, the Commission issued a stay of these orders during the December 1, 2020 Commission Conference. Thus, there are currently no additional or new matters to discuss pending the completion of DEF's appeal of Order Nos. PSC-2020-0368-FOF-EI and PSC-2020-0368A-FOF-EI.

The record evidence in this proceeding, consistent with staff's recommendations on Issues: 8, 9, 10, 11, 16, and 19 indicates the appropriate projected net fuel and purchased power cost recovery amount, including the GPIF reward, to be included in the fuel cost recovery factor for the period January 2021 through December 2021 is \$1,223,244,961.

## **Conclusion**

Staff recommends the appropriate total projected net fuel and purchased power costs and GPIF amount to be included in setting the recovery factor for the period January 2021 through December 2021 is \$1,223,244,961.

**Issue 19:** What is the appropriate revenue tax factor to be applied in calculating each investor-owned electric utility's levelized fuel factor for the projection period January 2021 through December 2021?

**Recommendation:** Staff recommends that the appropriate revenue tax factor to be applied in calculating DEF's levelized fuel factor for the period of January 2021 through December 2021 is 1.00072. (Higgins, Brownless)

### **Position of the Parties**

**DEF:** 1.00072.

**OPC:** OPC takes no position on this issue nor does it have the burden of proof related to it. As such, the OPC represents that it will not contest or oppose the Commission taking action approving a proposed stipulation between the Company and another party or Staff as a final resolution of the issue. No person is authorized to state that the OPC is a participant in, or party to, a stipulation on this issue, either in this docket, in an order of the Commission or in a representation to a Court.

**FIPUG:** Adopt the position of OPC.

**PCS Phosphate:** Agree with OPC.

**Staff Analysis:** The purpose of this issue is to verify that the appropriate tax factor was applied to the correct/applicable amount of revenue to be collected through the fuel clause. Rule 25-6.0131(1)(a.), F.A.C., specifies that: "[e]ach investor-owned electric company shall pay a regulatory assessment fee in the amount of .00072 of gross operating revenues derived from intrastate business, excluding sales for resale between public utilities, municipal electric utilities, and rural electric cooperatives or any combination thereof."<sup>13</sup>

The record evidence applicable to DEF on this topic was proffered by DEF witness Menendez. (EXH 7) Staff has verified that the correct tax factor (1 + .00072) was applied to the appropriate projected amount of fuel-related revenue to be collected for the period of January 2021 through December, 2021. Further, staff notes that while not specifically identified as a "stand-alone" issue, the specific revenue tax factor identified in this issue also applies to the revenue collected through the capacity clause which the Commission will review later in this recommendation (Issue 31).

### **Conclusion**

Staff recommends that the appropriate revenue tax factor to be applied in calculating DEF's levelized fuel factor for the period of January 2021 through December 2021 is 1.00072.

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<sup>13</sup>25-6.0131, F.A.C., *Regulatory Assessment Fees; Investor-owned Electric Companies, Municipal Electric Utilities, Rural Electric Cooperatives.*

**Issue 20:** What are the appropriate levelized fuel cost recovery factors for the period January 2021 through December 2021?

**Recommendation:** Staff recommends the appropriate levelized fuel and purchased power cost recovery factor needed to recover the projected cost of fuel and purchased power for the period of January 2021 through December 2021 is 3.090 cents per kWh. (Higgins)

### **Position of the Parties**

**DEF:** 3.090 cents/kWh (adjusted for jurisdictional losses).

**OPC/FIPUG:** The levelized fuel cost recovery factors for the period January 2021 through December 2021 should reflect an adjustment for the overcollection of \$16.1 million (along with a reasonable estimate of interest (subject to true-up in a subsequent proceeding)) in imprudently incurred replacement power costs emanating from the 2017 outage at Bartow Unit 4.

**PCS Phosphate:** Pursuant to Order No. PCS-2020-0368-FOF-EI, DEF's cost recovery amounts for January 2021 through December 2021 should be reduced by \$16.1 million, plus interest, to credit through the fuel factor costs relating to the replacement power and de-rating of Bartow Unit 4.

### **Staff Analysis:**

## **Parties' Arguments**

DEF's argument in its post-hearing brief is unchanged from its position shown in the prehearing order and as listed above.<sup>14</sup> DEF believes the appropriate levelized fuel cost recovery factor for 2021 is 3.090 cents per kWh. (DEF BR 6)

The Joint Parties' argument in its post-hearing brief is the fuel cost recovery factor for 2021 should reflect an adjustment for the over-collection of \$16.1 million with interest emanating from the 2017 outage of Bartow Unit 4. (Joint Parties BR 5)

PCS Phosphate argued in its post-hearing brief, that pursuant to Order No. PSC-2020-0368-FOF-EI, DEF's cost recovery amounts for January 2021 through December 2021 should be reduced by \$16.1 million, plus interest, to credit for replacement power and de-rating costs due to the outage of Bartow Unit 4. (PCS Phosphate BR 2)

## **Analysis**

The purpose of this issue is to determine the appropriate levelized fuel cost recovery factor needed to recover the total projected net cost of fuel and purchased power for the period of January 2021 through December 2021. Included in the levelized fuel cost recovery factor are the total jurisdictional fuel and purchase power cost (adjusted for line losses), total true-up, revenue tax, and the GPIF component. The aforementioned components of the fuel cost recovery factor were spread evenly (levelized) across the 2021 (12-month) jurisdictional megawatt-hour (MWh) sales

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<sup>14</sup>Order No. PSC-2020-0415-PHO-EI.

forecast of 39,588,176 MWh (or 39,588,176,000 kilowatt-hours), to arrive at the proposed rounded levelized fuel cost recovery factor of 3.090 cents per kWh. (EXH 7)

Concerning the arguments brought forth by the Joint Parties and PCS Phosphate in regards to Order Nos. PSC-2020-0368-FOF-EI and PSC-2020-0368A-FOF-EI, the Commission issued a stay of these orders during the December 1, 2020 Commission Conference. Thus, there are currently no additional or new matters to discuss pending the completion of DEF's appeal of Order Nos. PSC-2020-0368-FOF-EI and PSC-2020-0368A-FOF-EI.

The record evidence in this proceeding, as proffered by DEF witnesses Menendez and Lewter, indicates that the appropriate levelized fuel cost recovery factor needed to recover the total projected net cost of fuel and purchased power for the period of January 2021 through December 2021 is 3.090 cents per kWh. (EXH 2, EXH 6, EXH 7, EXH 8) Staff notes its recommendation on this issue is consistent with its recommendations on Issues: 8, 9, 10, 11, 16, 18, and 19.

### **Conclusion**

Staff recommends the appropriate levelized fuel and purchased power cost recovery factor needed to recover the projected cost of fuel and purchased power for the period of January 2021 through December 2021 is 3.090 cents per kWh.

**Issue 21:** What are the appropriate fuel recovery line loss multipliers to be used in calculating the fuel cost recovery factors charged to each rate class/delivery voltage level class?

**Recommendation:** Staff recommends the appropriate fuel recovery line loss multipliers to be used in calculating the fuel cost recovery factors charged to each rate class/delivery voltage level class for the period January 2021 through December 2021 are as listed in Table 21-1. (Higgins)

**Position of the Parties**

<b>DEF:</b>	Delivery	Line Loss	
	<u>Group</u>	<u>Voltage Level</u>	<u>Multiplier</u>
	A	Transmission	0.9800
	B	Distribution Primary	0.9900
	C	Distribution Secondary	1.0000
	D	Lighting Service	1.0000

**OPC:** OPC takes no position on this issue nor does it have the burden of proof related to it. As such, the OPC represents that it will not contest or oppose the Commission taking action approving a proposed stipulation between the Company and another party or Staff as a final resolution of the issue. No person is authorized to state that the OPC is a participant in, or party to, a stipulation on this issue, either in this docket, in an order of the Commission or in a representation to a Court.

**FIPUG:** Adopt the position of OPC.

**PCS Phosphate:** Agree with OPC.

**Staff Analysis:** The purpose of this issue is to determine the appropriate line loss multipliers to apply in calculating the fuel cost recovery factors charged to each rate group/delivery voltage service level. Due to the physics involved, a certain quantity of electricity is lost during its transmission and distribution through the electric grid which leads to variations in efficiency levels of delivered electricity. Because DEF must provide enough electricity to meet customer demand which will inherently include a quantity of line loss/differences in delivery efficiencies, a portion of this loss is accounted for and reflected through the “line loss multiplier.”

The record evidence in this proceeding, as proffered by DEF witness Menendez, indicates the fuel recovery line loss multipliers to be applied to the fuel cost recovery factors for the period of January 2021 through December 2021 are as shown in Table 21-1 below:

**Table 21-1**  
**DEF Fuel Recovery Line Loss Multipliers**  
**January - December, 2021**

<b>Group</b>	<b>Delivery Voltage Level</b>	<b>Line Loss Multiplier</b>
A	Transmission	0.98
B	Distribution Primary	0.99
C	Distribution Secondary	1.00
D	Lighting Service	1.00

Source: (EXH 7)

**Conclusion**

Staff recommends the appropriate fuel recovery line loss multipliers to be used in calculating the fuel cost recovery factors charged to each rate group/delivery voltage level class for the period January 2021 through December 2021 are as listed in Table 21-1.

**Issue 22:** What are the appropriate fuel cost recovery factors for each rate class/delivery voltage level class adjusted for line losses?

**Recommendation:** Staff recommends the appropriate fuel cost recovery factors for each rate class/delivery voltage level class, adjusted for line losses, are as listed in Table 22-1. (Higgins, Draper)

**Position of the Parties**

**DEF:**

Fuel Cost Factors (cents/kWh)						
Group	Delivery Voltage Level	First Tier Factor	Second Tier Factors	Levelized Factors	Time of Use	
					On-Peak	Off-Peak
A	Transmission	--	--	3.032	3.793	2.689
B	Distribution Primary	--	--	3.063	3.832	2.717
C	Distribution Secondary	2.811	3.811	3.094	3.871	2.744
D	Lighting Secondary	--	--	2.955	--	--

**OPC/FIPUG:** The allocation of fuel cost recovery factors for each rate class/delivery voltage level class adjusted for line losses should reflect an adjustment for the overcollection of \$16.1 million (along with a reasonable estimate of interest (subject to true-up in a subsequent proceeding)) in imprudently incurred replacement power costs emanating from the 2017 outage at Bartow Unit 4.

**PCS Phosphate:** Pursuant to Order No. PSC-2020-0368-FOF-EI, DEF’s cost recovery amounts for January 2021 through December 2021 should be reduced by \$16.1 million to credit through the fuel factor costs relating to the replacement power and de-rating of Bartow Unit 4. To the extent that this reduction in allowed cost recovery reduces the fuel cost recovery factors for DEF, those factors should be adjusted.

**Staff Analysis:**

**Parties’ Arguments**

DEF believes the appropriate fuel cost recovery factors for 2021 are as listed above. (DEF BR 6)

The Joint Parties’ argued in their post-hearing brief that the allocation of fuel cost recovery for each service level in 2021 should reflect an adjustment of approximately \$16.1 million with interest emanating from the 2017 outage at Bartow Unit 4. (Joint Parties BR 6)

PCS Phosphate argued that Pursuant to Order No. PSC-2020-0368-FOF-EI, DEF’s cost recovery amount for January 2021 through December 2021 should be reduced by approximately \$16.1 million for replacement power and de-rating costs due to the April 2017 outage of Bartow Unit 4

and that the fuel cost recovery factor should be commensurably adjusted downward. (PCS Phosphate BR 3)

### Analysis

The purpose of this issue is to identify the proposed fuel cost recovery factors for each rate group. This issue is primarily determined by the Commission’s decision on Issue 18. The other component, which is not specifically voted on by the Commission, is DEF’s effective 2021 jurisdictional sales forecast. Further, “tiered” and “time-of-use” factors, relative to the levelized factors, are also developed. Time-of-use factors involve calculating on- and off-peak multipliers, which is accomplished by ascertaining both applicable on-peak and off-peak average marginal fuel costs and dividing those figures by the applicable total average marginal fuel cost. For 2021, DEF’s proposed on- and off-peak multipliers are 1.251 and 0.887 respectively.

The record evidence in this proceeding, as proffered by DEF witness Menendez, indicates the proposed fuel cost recovery factors for each rate group/delivery voltage level adjusted for line losses for the period January 2021 through December 2021, are as listed in Table 22-1 below:

**Table 22-1  
 Fuel Cost Recovery Factors for the period January-December, 2021**

Group	Delivery Voltage Level	Fuel Cost Recovery Factors (cents/kWh)			Time of Use (cents/kWh)	
		First Tier	Second Tier	Levelized	On-Peak	Off-Peak
A	Transmission	--	--	3.032	3.793	2.689
B	Distribution Primary	--	--	3.063	3.832	2.717
C	Distribution Secondary	2.811	3.811	3.094	3.871	2.744
D	Lighting Service	--	--	2.955	--	--

Source: (EXH 7)

Concerning the arguments brought forth by the Joint Parties and PCS Phosphate in regards to Order Nos. PSC-2020-0368-FOF-EI and PSC-2020-0368A-FOF-EI, the Commission issued a stay of these orders during the December 1, 2020 Commission Conference. Thus, there are currently no additional or new matters to discuss pending the completion of DEF’s appeal of Order Nos. PSC-2020-0368-FOF-EI and PSC-2020-0368A-FOF-EI.

### Conclusion

Staff recommends the appropriate fuel cost recovery factors for each rate class/delivery voltage level class, adjusted for line losses, are as listed in Table 22-1.



**Issue 23A:** What is the appropriate net book value of retired Plant Crystal River South (Units 1 and 2) assets to be recovered over a one-year period as approved by Order No. PSC-2017-0451-AS-EU?

**Recommendation:** Staff recommends the appropriate net book value of the retired Crystal River South assets to be included in the 2021 capacity factors is \$80,592,431. (Higgins)

### **Position of the Parties**

**DEF:** The estimated CR1&2 net book value of retired assets recovered over a one-year period in 2021 is \$80,592,431; the final CR1&2 net book value will be included in DEF's 2020 Final True-Up filing.

**OPC:** OPC takes no position on this issue nor does it have the burden of proof related to it. As such, the OPC represents that it will not contest or oppose the Commission taking action approving a proposed stipulation between the Company and another party or Staff as a final resolution of the issue. No person is authorized to state that the OPC is a participant in, or party to, a stipulation on this issue, either in this docket, in an order of the Commission or in a representation to a Court.

**FIPUG:** Adopt the position of OPC.

**PCS Phosphate:** Agree with OPC.

**Staff Analysis:** This issue addresses the remaining/stranded net book value (NBV) associated with two of DEF's now-retired generating units, namely Crystal River Units 1&2, or Crystal River South (CRS). CRS was retired in 2019 coinciding with the in-service of the "Citrus County or Crystal River Energy Complex." Authorization for capacity clause recovery of the CRS-associated NBV came with the approval of DEF's 2017 Second Revised and Restated Settlement Agreement (2017 Settlement).<sup>15</sup> The 2017 Settlement specifies December 31, 2020, as the end-point to develop the final NBV of CRS assets for accounting purposes/amount eligible for capacity cost recovery. The record evidence in this proceeding, as proffered by DEF witness Menendez, indicates the proposed NBV of CRS assets to be included for capacity clause recovery in 2021 is \$80,592,431. (EXH 7)

### **Conclusion**

Staff recommends the appropriate net book value of the retired Crystal River South assets to be included in the 2021 capacity factors is \$80,592,431.

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<sup>15</sup>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*; Docket No. 20100437-EI, *In re: 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, *In re: Petition for issuance of nuclear asset-recovery financing order, by Duke Energy Florida, Inc. d/b/a Duke Energy*; Docket No. 20170001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor*; Docket No. 20170002-EG, *In re: Energy conservation cost recovery clause*; Docket No. 20170009-EI, *In re: Nuclear cost recovery clause*.

**Issue 23B:** What is the appropriate amount of costs for the Independent Spent Fuel Storage Installation (ISFSI) that DEF should be allowed to recover through the capacity cost recovery clause pursuant to DEF's 2017 Settlement?

**Recommendation:** Staff recommends the CR3 ISFSI-associated cost to be included for capacity clause recovery in 2021 is \$6,879,837. (Higgins)

**Position of the Parties**

**DEF:** \$6,879,837.

**OPC:** OPC takes no position on this issue nor does it have the burden of proof related to it. As such, the OPC represents that it will not contest or oppose the Commission taking action approving a proposed stipulation between the Company and another party or Staff as a final resolution of the issue. No person is authorized to state that the OPC is a participant in, or party to, a stipulation on this issue, either in this docket, in an order of the Commission or in a representation to a Court.

**FIPUG:** Adopt the position of OPC.

**PCS Phosphate:** Agree with OPC.

**Staff Analysis:** The purpose of this issue is to determine the amount of amortization associated with the Crystal River Unit No. 3 (CR3) Independent Spent Fuel Storage Installation (ISFSI) to be included for recovery through the capacity clause in 2021. The authorization for capacity clause recovery of the CR3 ISFSI-associated revenue requirement came with the approval of DEF's 2017 Settlement.<sup>16</sup>

The record evidence in this proceeding, as proffered by DEF witness Menendez, indicates the amount of amortization associated with the CR3 ISFSI to be included in the 2021 capacity factors is \$6,879,837. This annual recovery amount consists of ISFSI investment, return, and revenue tax.

**Conclusion**

Staff recommends the CR3 ISFSI-associated cost to be included for capacity clause recovery in 2021 is \$6,879,837.

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<sup>16</sup>Order No. PSC-2017-0451-AS-EU.

**Issue 23C:** Should the Commission approve the Third Implementation Stipulation and, if approved, what is the amount of state corporate income tax savings that should be refunded to customers through the capacity clause in 2021?

**Recommendation:** Staff recommends the Commission approve the proposed Third Implementation Stipulation regarding the 2019 Florida State Corporate Income Tax reduction. Approving the proposed Third Implementation Stipulation results in a total refund to customers in the amount of \$8,379,918. (Higgins)

**Position of the Parties**

**DEF:** Yes, the Commission should approve the Third Implementation Stipulation and \$8,379,918 of income tax savings refunded to customers through the capacity clause in 2021.

**OPC:** OPC takes no position on this issue nor does it have the burden of proof related to it. As such, the OPC represents that it will not contest or oppose the Commission taking action approving a proposed stipulation between the Company and another party or Staff as a final resolution of the issue. No person is authorized to state that the OPC is a participant in, or party to, a stipulation on this issue, either in this docket, in an order of the Commission or in a representation to a Court.

**FIPUG:** Adopt the position of OPC.

**PCS Phosphate:** Yes, the Commission should approve the Third Implementation Stipulation filed in this docket on July 27, 2020. PCS Phosphate was a signatory to that agreement.

**Staff Analysis:** The purpose of this issue is to account for the impact of the three-year Florida State Corporate Income Tax reduction that went into effect in 2019. Staff notes the Florida State Corporate Income Tax rate was reduced from 5.5 percent to 4.458 percent for calendar years 2019, 2020, and 2021. A provision addressing and accounting for possible future changes in tax rates was part of DEF's 2017 Settlement.<sup>17</sup>

As indicated by the phrasing of this issue, the aforementioned tax-related accounting treatment outlined in the Third Implementation Stipulation was agreed to by the parties to the 2017 Settlement, which includes all the above-listed parties to this issue. Although the OPC, and by extension FIPUG, "takes no position on this issue nor does it have the burden of proof related to it," staff notes that both groups signed the Third Implementation Stipulation. (EXH 6) PCS Phosphate (as "White Springs Agricultural Chemical, Inc.") also signed the Third Implementation Stipulation, and supports its approval. (EXH 6)

Staff notes the proposed Third Implementation Stipulation was filed on July 27, 2020, as an appendix to DEF witness Menendez' actual/estimated testimony. (EXH 6) The total proposed refund to DEF's customers associated with the three-year Florida State Corporate Income Tax reduction is \$8,379,918, which is the amount proposed for inclusion in the recoverable 2021 capacity cost (Issue 30).

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<sup>17</sup>Order No. PSC-2017-0451-AS-EU.

## **Conclusion**

Staff recommends the Commission approve the proposed Third Implementation Stipulation regarding the 2019 Florida State Corporate Income Tax reduction. Approving the proposed Third Implementation Stipulation results in a total refund to customers in the amount of \$8,379,918.

**Issue 23D:** What adjustment amounts should the Commission approve to be refunded through the capacity clause in 2021 for the Columbia SoBRA I project approved in Docket No. 20180149-EI and the DeBary, Lake Placid, and Trenton SoBRA II projects approved in Docket No. 20190072-EI?

**Recommendation:** Staff recommends the total credit amount associated with solar plants: Columbia, DeBary, Lake Placid, and Trenton, to be included in the 2021 capacity factors is \$1,023,015. (Higgins)

**Position of the Parties**

**DEF:** \$1,023,015.

**OPC:** OPC takes no position on this issue nor does it have the burden of proof related to it. As such, the OPC represents that it will not contest or oppose the Commission taking action approving a proposed stipulation between the Company and another party or Staff as a final resolution of the issue. No person is authorized to state that the OPC is a participant in, or party to, a stipulation on this issue, either in this docket, in an order of the Commission or in a representation to a Court.

**FIPUG:** Adopt the position of OPC.

**PCS Phosphate:** Agree with OPC.

**Staff Analysis:** This purpose of the issue is to identify the specific true-up amounts associated with a number of DEF's SoBRA-recovered projects, namely plants: Columbia, DeBary, Lake Placid, and Trenton. These projects were approved by Order Nos. PSC-2019-0159-FOF-EI and PSC-2019-0292-FOF-EI.<sup>18</sup>

The initial authorization for the DEF-specific SoBRA framework came in approving the 2017 Settlement.<sup>19</sup> As part of the SoBRA framework, DEF is required to perform a true-up if the actual/final capital expenditures are lower than the approved capital expenditures, or if the facility in-service dates vary from those originally assumed. Any credit/refund is to be effectuated through the capacity clause.

The record evidence in this proceeding, as proffered by DEF witness Menendez, indicates the total proposed SoBRA-related credit to be included in the 2021 total recoverable capacity cost (Issue 30) is \$1,023,015.

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<sup>18</sup>Order No. PSC-2019-0159-FOF-EI, issued April 30, 2019, in Docket No. 20180149-EI, *In re: Petition for a limited proceeding to approve first solar base rate adjustment, by Duke Energy Florida, LLC*, and Order No. PSC-2019-0292-FOF-EI, issued July 22, 2019, in Docket No. 20190072-EI, *In re: Petition for a limited proceeding to approve second solar base rate adjustment, by Duke Energy Florida, LLC*.

<sup>19</sup>Order No. PSC-2017-0451-AS-EU.

**Conclusion**

Staff recommends the total credit amount associated with solar plants: Columbia, DeBary, Lake Placid, and Trenton, to be included in the 2021 capacity factors is \$1,023,015.

**Issue 27:** What are the appropriate final capacity cost recovery true-up amounts for the period January 2019 through December 2019?

**Recommendation:** Staff recommends the appropriate final capacity cost recovery true-up amount for the period January 2019 through December 2019 is an under-recovery of \$797,779. (Higgins)

**Position of the Parties**

**DEF:** \$797,779 under-recovery.

**FPUC:** No position.

**OPC:** OPC takes no position on this issue nor does it have the burden of proof related to it. As such, the OPC represents that it will not contest or oppose the Commission taking action approving a proposed stipulation between the Company and another party or Staff as a final resolution of the issue. No person is authorized to state that the OPC is a participant in, or party to, a stipulation on this issue, either in this docket, in an order of the Commission or in a representation to a Court.

**FIPUG:** Adopt the position of OPC.

**PCS Phosphate:** Agree with OPC.

**Staff Analysis:** The purpose of this issue is to determine DEF's final capacity revenue true-up amount for the period of January 2019 through December 2019. This final capacity revenue true-up represents the difference between calendar-year 2019 actual capacity costs and period-applicable capacity revenues that were collected to cover such cost.

The record evidence in this proceeding, as proffered by DEF witness Menendez, indicates the actual capacity revenue true-up amount for the period January 2019 through December 2019 is an under-recovery of \$797,779. (EXH 3)

**Conclusion**

Staff recommends the appropriate final capacity cost recovery true-up amount for the period January 2019 through December 2019 is an under-recovery of \$797,779.

**Issue 28:** What are the appropriate capacity cost recovery actual/estimated true-up amounts for the period January 2020 through December 2020?

**Recommendation:** Staff recommends the appropriate capacity cost recovery actual/estimated true-up amount for the period January 2020 through December 2020 is an over-recovery of \$334,694. (Higgins)

**Position of the Parties**

**DEF:** \$334,694 over-recovery.

**FPUC:** No position.

**OPC:** OPC takes no position on this issue nor does it have the burden of proof related to it. As such, the OPC represents that it will not contest or oppose the Commission taking action approving a proposed stipulation between the Company and another party or Staff as a final resolution of the issue. No person is authorized to state that the OPC is a participant in, or party to, a stipulation on this issue, either in this docket, in an order of the Commission or in a representation to a Court.

**FIPUG:** Adopt the position of OPC.

**PCS Phosphate:** Agree with OPC.

**Staff Analysis:** The purpose of this issue is to determine DEF's actual/estimated capacity revenue true-up amount for the period of January 2020 through December 2020. The actual/estimated capacity revenue true-up is based on six months (January-June 2020) of actual capacity cost- and revenue-related data, and a re-projected six months (July-Dec. 2020) of capacity cost- and revenue-related data relative to the projection performed the prior year.

The record evidence in this case proceeding, as proffered by DEF witness Menendez, indicates the actual/estimated capacity revenue true-up amount for the period January 2020 through December 2020 is an over-recovery of \$334,694. (EXH 6)

**Conclusion**

Staff recommends the appropriate capacity cost recovery actual/estimated true-up amount for the period January 2020 through December 2020 is an over-recovery of \$334,694.



**Issue 29:** What are the appropriate total capacity cost recovery true-up amounts to be collected/refunded during the period January 2021 through December 2021?

**Recommendation:** Staff recommends the appropriate total capacity cost recovery true-up amount to be collected during the period January 2021 through December 2021 is an under-recovery of \$463,084. (Higgins)

**Position of the Parties**

**DEF:** \$463,084 under-recovery.

**FPUC:** No position.

**OPC:** OPC takes no position on this issue nor does it have the burden of proof related to it. As such, the OPC represents that it will not contest or oppose the Commission taking action approving a proposed stipulation between the Company and another party or Staff as a final resolution of the issue. No person is authorized to state that the OPC is a participant in, or party to, a stipulation on this issue, either in this docket, in an order of the Commission or in a representation to a Court.

**FIPUG:** Adopt the position of OPC.

**PCS Phosphate:** Agree with OPC.

**Staff Analysis:** The purpose of this issue is to determine the net amount of prior and current period over- or under-collected revenue to be accounted for in setting the 2021 capacity factors.

As discussed in Issue 27, the record evidence in this proceeding indicates the final capacity revenue true-up amount for the period January 2019 through December 2019 is an under-recovery of \$797,779. (EXH 3) Further, as discussed in Issue 28, the actual/estimated capacity revenue true-up amount for the period January 2020 through December 2020 is an over-recovery of \$334,694. (EXH 6) Thus the total true-up to be applied to the January through December 2021 capacity cost recovery factors is a net under-recovery of \$463,084.

**Conclusion**

Staff recommends the appropriate total capacity cost recovery true-up amount to be collected during the period January 2021 through December 2021 is an under-recovery of \$463,084.

**Issue 30:** What are the appropriate projected total capacity cost recovery amounts for the period January 2021 through December 2021?

**Recommendation:** Staff recommends the appropriate projected total capacity cost amount for the period January 2021 through December 2021 is \$479,983,370. (Higgins)

**Position of the Parties**

**DEF:** \$479,983,370.

**FPUC:** No position.

**OPC:** OPC takes no position on this issue nor does it have the burden of proof related to it. As such, the OPC represents that it will not contest or oppose the Commission taking action approving a proposed stipulation between the Company and another party or Staff as a final resolution of the issue. No person is authorized to state that the OPC is a participant in, or party to, a stipulation on this issue, either in this docket, in an order of the Commission or in a representation to a Court.

**FIPUG:** Adopt the position of OPC.

**PCS Phosphate:** Agree with OPC.

**Staff Analysis:** The purpose of this issue is to determine the projected total capacity cost recovery amount for the period January 2021 through December 2021.

The total projected 2021 jurisdictional capacity cost consists of general and other capacity-related costs, CRS costs (Issue 23A), as well as tax- and SoBRA-related credits (Issues 23C-D). The amount of revenue required (i.e. after incorporating the true up, taxes, and ISFSI adjustment) to meet the total projected capacity cost is addressed in Issue 31.

The record evidence in this proceeding, as proffered by DEF witness Menendez, indicates the projected total capacity cost for the period of January 2021 through December 2021 is \$479,983,370. (EXH 7)

**Conclusion**

Staff recommends the appropriate projected total capacity cost amount for the period January 2021 through December 2021 is \$479,983,370.

**Issue 31:** What are the appropriate projected net purchased power capacity cost recovery amounts to be included in the recovery factor for the period January 2021 through December 2021?

**Recommendation:** Staff recommends the appropriate projected net purchased power capacity cost to be included in the cost recovery factor for the period of January 2021 through December 2021 is \$487,677,167. (Higgins)

**Position of the Parties**

**DEF:** \$487,677,167.

**FPUC:** No position.

**OPC:** OPC takes no position on this issue nor does it have the burden of proof related to it. As such, the OPC represents that it will not contest or oppose the Commission taking action approving a proposed stipulation between the Company and another party or Staff as a final resolution of the issue. No person is authorized to state that the OPC is a participant in, or party to, a stipulation on this issue, either in this docket, in an order of the Commission or in a representation to a Court.

**FIPUG:** Adopt the position of OPC.

**PCS Phosphate:** Agree with OPC.

**Staff Analysis:** The purpose of this issue is to identify the appropriate net amount of capacity costs to be included in developing the recovery factors for the period of January 2021 through December 2021. This issue is essentially a “fall-out” issue, whereas the dollar values of prior decisions are tabulated and summed to arrive at the recommended amount to recover. The relevant components required to calculate the 2021 capacity cost recovery amount are: total jurisdictional net capacity costs, true-up, and revenue tax.

The record evidence in this proceeding, consistent with staff’s recommendations on Issues: 19, 23A-D, and 27-30, indicates the appropriate projected net purchased power capacity cost to be included in setting the cost recovery factors for the period of January 2021 through December 2021 is \$487,677,167. (EXH 3, EXH 7) The derivation of DEF’s 2021 proposed capacity cost recovery amount is shown in Table 31-1 below:

**Table 31-1**  
**DEF 2021 Capacity Cost Recovery**

<b>Cost Component</b>	<b>Amount</b>
Projected Total Capacity Costs (Issues: 23A-D and 30)	\$486,863,207
Total True-up (Issues: 27, 28, and 29)	463,084
Revenue Tax ( <i>Issue 19</i> )	<u>350,875</u>
<b>Total*</b>	<u>\$487,677,167</u>

Sources: (EXH 3, EXH 7)

\*May not compute exactly due to rounding.

**Conclusion**

Staff recommends the appropriate projected net purchased power capacity cost to be included in the cost recovery factor for the period of January 2021 through December 2021 is \$487,677,167.

**Issue 32:** What are the appropriate jurisdictional separation factors for capacity revenues and costs to be included in the recovery factor for the period January 2021 through December 2021?

**Recommendation:** Staff recommends the appropriate jurisdictional separation factors for capacity revenues and costs to be included in the 2021 recovery factor are as listed in Table 32-1. (Higgins)

**Position of the Parties**

**DEF:** Base – 92.885%, Intermediate – 72.703%, Peaking – 95.924%, consistent with the 2017 Settlement approved in Order No. PSC-2017-0451-AS-EI.

**FPUC:** No position.

**OPC:** OPC takes no position on this issue nor does it have the burden of proof related to it. As such, the OPC represents that it will not contest or oppose the Commission taking action approving a proposed stipulation between the Company and another party or Staff as a final resolution of the issue. No person is authorized to state that the OPC is a participant in, or party to, a stipulation on this issue, either in this docket, in an order of the Commission or in a representation to a Court.

**FIPUG:** Adopt the position of OPC.

**PCS Phosphate:** Agree with OPC.

**Staff Analysis:** The purpose of this issue is to identify the appropriate jurisdictional separation factors for application in the capacity clause.

A provision addressing demand-related jurisdictional separation factors was part of DEF’s 2017 Settlement.<sup>20</sup> As specified in the 2017 Settlement, and proffered by DEF witness Menendez, the agreed upon demand-related jurisdictional separation factors applicable to cost recovery clauses are shown in Table 32-1 below:

**Table 32-1  
DEF Jurisdictional Separation Factors - Capacity  
January - December, 2021**

Classification	Separation Factor (%)
Base	92.885
Intermediate	72.703
Peaking	95.924

Sources: (EXH 7) and Order No. PSC-2017-0451-AS-EU.

<sup>20</sup>Order No. PSC-2017-0451-AS-EU.

**Conclusion**

Staff recommends the appropriate jurisdictional separation factors for capacity revenues and costs to be included in the 2021 recovery factor are as listed in Table 32-1.

**Issue 33:** What are the appropriate capacity cost recovery factors for the period January 2021 through December 2021?

**Recommendation:** Staff recommends the appropriate capacity cost recovery factors for the period January 2021 through December 2021 are as listed in Table 33-1. (Higgins, Draper)

**Position of the Parties**

<b>DEF:</b> <u>Rate Class</u>	<u>CCR Factor</u>
Residential	1.405 cents/kWh
General Service Non-Demand	1.342 cents/kWh
@ Primary Voltage	1.329 cents/kWh
@ Transmission Voltage	1.315 cents/kWh
General Service 100% Load Factor	0.808 cents/kWh
General Service Demand	4.20 \$/kW-month
@ Primary Voltage	4.16 \$/kW-month
@ Transmission Voltage	4.12 \$/kW-month
Curtaillable	1.22 \$/kW-month
@ Primary Voltage	1.21 \$/kW-month
@ Transmission Voltage	1.20 \$/kW-month
Interruptible	3.50 \$/kW-month
@ Primary Voltage	3.47 \$/kW-month
@ Transmission Voltage	3.43 \$/kW-month
Standby Monthly	0.404 \$/kW-month
@ Primary Voltage	0.400 \$/kW-month
@ Transmission Voltage	0.396 \$/kW-month
Standby Daily	0.192 \$/kW-month
@ Primary Voltage	0.190 \$/kW-month
@ Transmission Voltage	0.188 \$/kW-month
Lighting	0.172 cents/kWh

**FPUC:** No position.

**OPC:** OPC takes no position on this issue nor does it have the burden of proof related to it. As such, the OPC represents that it will not contest or oppose the Commission taking action approving a proposed stipulation between the Company and another party or Staff as a final resolution of the issue. No person is authorized to state that the OPC is a participant in, or party to, a stipulation on this issue, either in this docket, in an order of the Commission or in a representation to a Court.

**FIPUG:** Adopt the position of OPC.

**PCS Phosphate:** Agree with OPC.

**Staff Analysis:** The purpose of this issue is to identify the 2021 capacity cost recovery factors for each rate class. This issue is primarily determined by the Commission’s votes on Issues 31 and 32, which include underlying issues. Further, DEF’s 2017 Settlement contained a provision addressing the demand-related cost allocation methodology to be used for capacity clause rate-making purposes.<sup>21</sup> The 2017 Settlement specified that DEF will utilize the “12 Coincident Peak Load and 1/13 Average Demand” cost allocation methodology. The other component utilized for rate making in this issue, which is not specifically voted on by the Commission, is DEF’s effective 2021 class-specific jurisdictional sales forecast.

The proposed capacity cost recovery factors were proffered by DEF witness Menendez and are shown by rate class in Table 33-1 below:

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<sup>21</sup>Order No. PSC-2017-0451-AS-EU.



**Table 33-1  
 DEF Capacity Cost Recovery Factors  
 January-December, 2021**

Rate Class	2021 Capacity and CR3 ISFSI Cost Recovery Factors	
	Cents per kWh	Dollars per kW-month
Residential (RS-1, RST-1, RSL-1, RSL-2, RSS-1) At Secondary Voltage	1.405	
General Service Non-Demand (GS-1, GST-1)		
At Secondary Voltage	1.342	
At Primary Voltage	1.329	
At Transmission Voltage	1.315	
General Service (GS-2)	0.808	
Lighting (LS-1)	0.172	
General Service Demand (GSD-1, GSDT-1, SS-1)		
At Secondary Voltage		4.20
At Primary Voltage		4.16
At Transmission Voltage		4.12
Curtable (CS-1, CST-1, CS-2, CST-2, CS-3, CST-3, SS-3)		
At Secondary Voltage		1.22
At Primary Voltage		1.21
At Transmission Voltage		1.20
Interruptible (IS-1, IST-1, IS-2, IST-2, SS-2)		
At Secondary Voltage		3.50
At Primary Voltage		3.47
At Transmission Voltage		3.43
Standby Monthly (SS-1, 2, 3)		
At Secondary Voltage		0.404
At Primary Voltage		0.400
At Transmission Voltage		0.396
Standby Daily (SS-1, 2, 3)		
At Secondary Voltage		0.192
At Primary Voltage		0.190
At Transmission Voltage		0.188

Source: (EXH 7)

**Conclusion**

Staff recommends the appropriate capacity cost recovery factors for the period January 2021 through December 2021 are as listed in Table 33-1.

**Issue 34:** What should be the effective date of the fuel adjustment factors and capacity cost recovery factors for billing purposes?

**Recommendation:** Staff recommends the new fuel and capacity factors should be effective beginning with the first billing cycle for January 2021 through the last billing cycle for December 2021. (Higgins)

**Position of the Parties**

**DEF:** The new factors should be effective beginning with the first billing cycle for January 2021 through the last billing cycle for December 2021. The first billing cycle may start before January 1, 2021, and the last billing cycle may end after December 31, 2021, so long as each customer is billed for twelve months regardless of when the factors became effective.

**OPC:** OPC takes no position on this issue nor does it have the burden of proof related to it. As such, the OPC represents that it will not contest or oppose the Commission taking action approving a proposed stipulation between the Company and another party or Staff as a final resolution of the issue. No person is authorized to state that the OPC is a participant in, or party to, a stipulation on this issue, either in this docket, in an order of the Commission or in a representation to a Court.

**FIPUG:** Adopt the position of OPC.

**PCS Phosphate:** No position.

**Staff Analysis:** The purpose of this issue is to establish for billing purposes the effective date of the fuel adjustment factors and capacity cost recovery factors the Commission deems appropriate in this proceeding.

Staff believes the new factors should be effective beginning with the first billing cycle for January 2021 through the last billing cycle for December 2021. The first billing cycle may start before January 1, 2021, and the last cycle may be read after December 31, 2021, so that each customer is billed for twelve months regardless of when the recovery factors became effective. Further, the new factors should continue to be effective until modified by the Commission.

**Conclusion**

Staff recommends the new fuel and capacity factors should be effective beginning with the first billing cycle for January 2021 through the last billing cycle for December 2021.

**Issue 35:** Should the Commission approve revised tariffs reflecting the fuel adjustment factors and capacity cost recovery factors determined to be appropriate in this proceeding?

**Recommendation:** Yes. Staff recommends the Commission approve revised tariffs reflecting the fuel adjustment factors and capacity cost recovery factors determined to be reasonable in this proceeding. (Draper, Higgins)

**Position of the Parties**

**DEF:** Yes. The Commission should approve revised tariffs reflecting the fuel adjustment factors and capacity cost recovery factors determined to be appropriate in this proceeding. The Commission should direct Staff to verify that the revised tariffs are consistent with the Commission decision.

**OPC:** OPC takes no position on this issue nor does it have the burden of proof related to it. As such, the OPC represents that it will not contest or oppose the Commission taking action approving a proposed stipulation between the Company and another party or Staff as a final resolution of the issue. No person is authorized to state that the OPC is a participant in, or party to, a stipulation on this issue, either in this docket, in an order of the Commission or in a representation to a Court.

**FIPUG:** Adopt the position of OPC.

**PCS Phosphate:** No position.

**Staff Analysis:** The purpose of this issue is to determine if the Commission should approve revised tariffs reflecting the fuel adjustment factors and capacity cost recovery factors determined to be appropriate in this proceeding.

Staff believes the Commission should approve revised tariffs reflecting the fuel adjustment factors and capacity cost recovery factors determined to be reasonable in this proceeding.

**Conclusion**

Staff recommends the Commission approve revised tariffs reflecting the fuel adjustment factors and capacity cost recovery factors determined to be reasonable in this proceeding.

**Issue 36:** Should this docket be closed?

**Recommendation:** No. While a separate docket number is assigned each year for administrative convenience, this is a continuing docket and should remain open. (Brownless)

**Position of the Parties**

**DEF:** Yes.

**OPC/FIPUG:** No. The docket should remain open until any action approved, if at all, by the Commission is completed satisfactorily.

**PCS Phosphate:** No position.

**Staff Analysis:**

**Parties' Arguments**

DEF stated that OPC, PCS Phosphate, and FIPUG took “no position” on this issue at the Prehearing Conference. Therefore, in accord with Section VI.C. of Order No. PSC-2020-0041-PCO-EI, Order Establishing Procedure, these parties are prohibited from contesting DEF’s position on, or briefing, this issue.<sup>22</sup> (DEF BR 5)

The Joint Parties have briefed this issue and stated that the docket should remain open pending completion of any action the Commission may require. (Joint Parties BR 6)

PCS Phosphate did not brief this issue nor take a position on it at the Prehearing Conference.

**Analysis**

DEF is correct that parties are unable to take a position on, or to brief, issues on which they did not take a position by the date set at the Prehearing Conference. DEF is also correct that OPC, FIPUG and PCS Phosphate did not take positions on this issue. However, staff recommends that DEF’s position that the docket be closed be rejected. While a separate docket number is assigned each year for administrative convenience, this is a continuing docket and should remain open. Therefore, staff recommends that this docket remain open.

**Conclusion**

While a separate docket number is assigned each year for administrative convenience, this is a continuing docket and staff recommends that it remain open.

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<sup>22</sup>Order No. PSC-2020-0041-PCO-EI, issued January 31, 2020, in Docket No. 20200001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor*.