

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:** November 12, 2013  
**TO:** Carlotta S. Stauffer, Commission Clerk, Office of Commission Clerk  
**FROM:** Keino Young, Chief Trial Counsel, Office of the General Counsel *KY*  
**RE:** Docket No. 130208-EI - Petition for limited proceeding to approve revised and restated stipulation and settlement agreement by Duke Energy Florida, Inc. d/b/a Duke Energy.

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Please place the attached revised presentation from the October 16, 2013 hearing, which includes the corrections made during the hearing, clarification of acronyms used during the hearing, and the graph discussed by Commissioner Balbis, in the above referenced docket file.

# Highlights of Revised and Restated Stipulation and Settlement (RRSSA)

DOCKET 130208-EI

## Administrative

- ❑ The RRSSA replaces the settlement that was approved per Order PSC-12-0104-FOF-EI. The RRSSA resolves all remaining prudency issues associated with Docket No 100437-EI and preserves certain issues associated with the Crystal River 3 (CR3) regulatory asset.
- ❑ The term of the RRSSA is until December 2018, a two year extension from the 2012 stipulation. Return on equity remains at 10.5%

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## CR3 Remaining Assets

- ❑ Duke Energy Florida (DEF) will reduce the net plant balance of CR3 by \$295 million.
- ❑ The CR3 regulatory asset is capped at \$1.466 billion. Can be increased by the addition of dry cask storage costs or force majeure events. DEF responsible for first \$5 million of force majeure costs per year.
- ❑ Recovery of CR3 regulatory asset deferred until January 2017 or expiration of Levy Nuclear Project cost recovery and amortized over 240 months.
- ❑ Up through December 2018, DEF may petition to collect a surcharge for the nuclear decommissioning fund of up to \$8 million/year.



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## Fuel Adjustment Clause

- ❑ Per the 2012 settlement, DEF will refund \$129 million in 2013, \$139 million in 2014, \$50 million in 2015, and \$70 million in 2016 through the fuel clause.
- ❑ DEF will increase fuel charges \$1/mWh (0.1 cents/kWh) in 2014 and 2015 and \$1.5/mWh (0.15 cents/kWh) in 2016. These funds will be used to accelerate recovery of the return on equity portion of the carrying charge for CR3 regulatory asset.
- ❑ DEF will credit fuel clause a net of \$163 million associated with Nuclear Electric Insurance Limited settlement amounts in 2014.

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## Levy Nuclear Project (LNP)

- ❑ DEF to pursue termination of the LNP Engineering, Procurement, and Construction contract. LNP costs continue to have a nuclear cost recovery clause fixed charge for all customer classes (\$3.45/1000 kWh for residential customers same as 2012 settlement) until the earlier of full recovery of LNP costs or January 2018, with true-up in final year.
- ❑ DEF may pursue combined construction and operating license (COL) and can seek recovery of such costs if/when Levy project enters commercial operation (traditional regulatory method). If DEF decides not to pursue COL prior to March 15, 2015, then DEF to refund \$10 million through fuel clause.
- ❑ DEF agreed to provide semi-annual progress reports if desired.

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## Generation Base Rate Adjustments (GBRA)

- ❑ DEF may seek recovery of new combustion turbines, uprates, and purchases of existing combustion turbines or combined cycles including transmission prior to 2017 with a cap of 1,150 megawatts. DEF will supply cost-effectiveness evaluation prior to recovery through base rates.
- ❑ If the Commission grants DEF a need determination for up to 1,800 megawatts in 2018, then DEF is authorized to increase base rates by a GBRA in 2018. Calculation of GBRA is similar to other approved settlements and subject to true-up.



# Highlights of Revised and Restated Stipulation and Settlement (RRSSA)

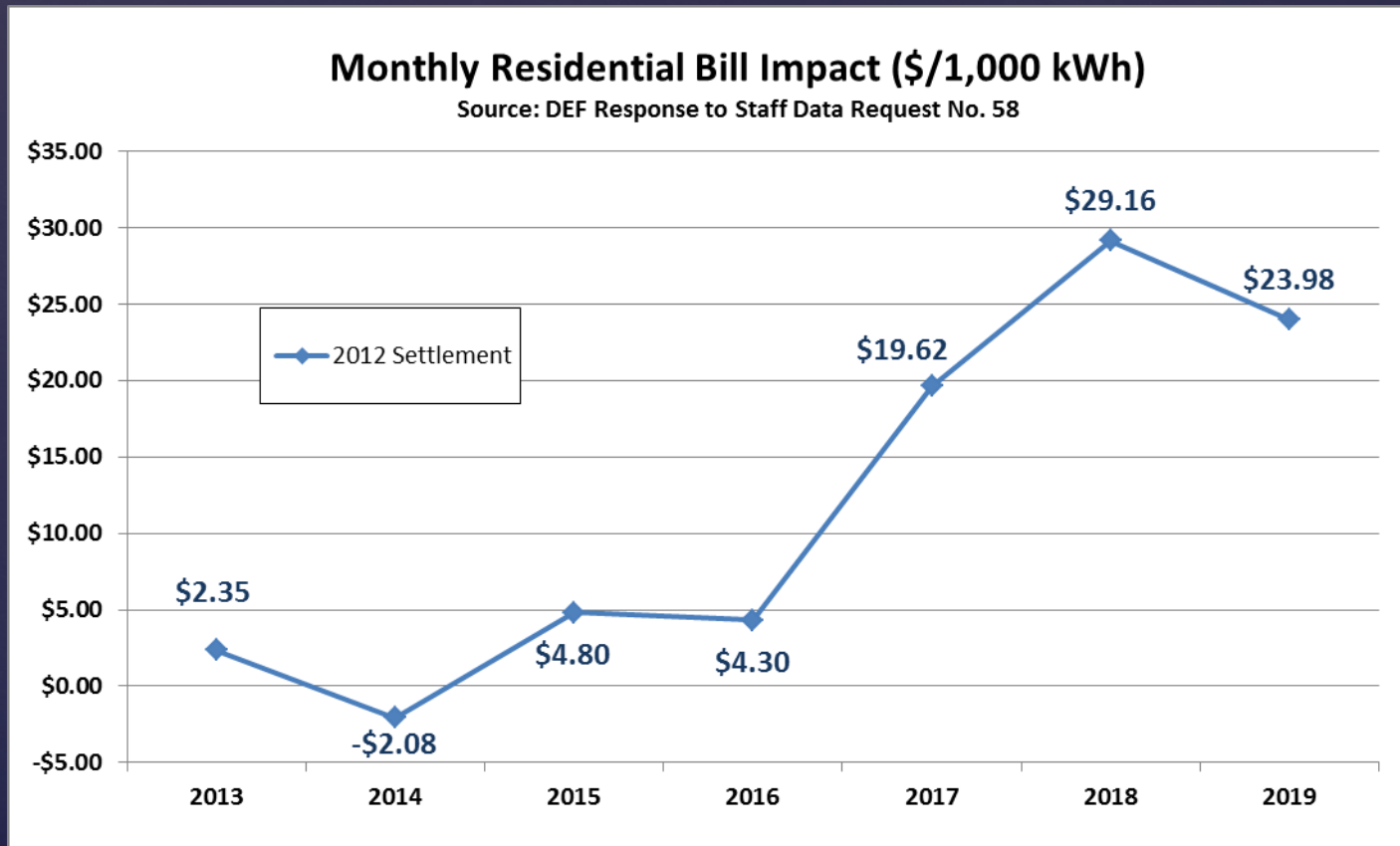
DOCKET 130208-EI

## Other

- ❑ DEF to offer a pilot economic development tariff for a period of three years.
- ❑ DEF to file a depreciation study, fossil dismantlement study, and nuclear decommissioning study by March 31, 2019 or with next rate case, whichever is sooner.
- ❑ If DEF retires Crystal River 1 & 2 coal plants, current depreciation continues through 2020. Remaining balance, if any, to be recovered in 2021.
- ❑ Credits for interruptible customers increased in 2014 and 2015.

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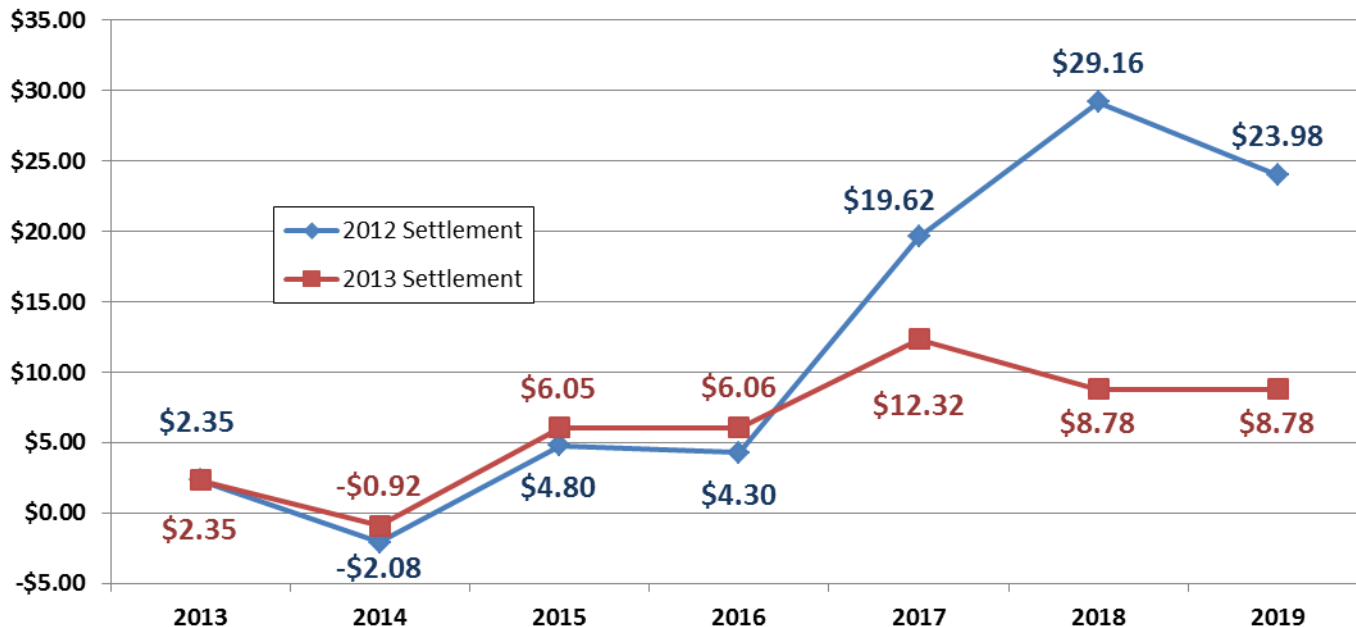


# Highlights of Revised and Restated Stipulation and Settlement (RRSSA)

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## Comparison of Monthly Residential Bill Impact (\$/1,000 kWh)

Source: DEF Response to Staff Data Request Nos. 58 and 68



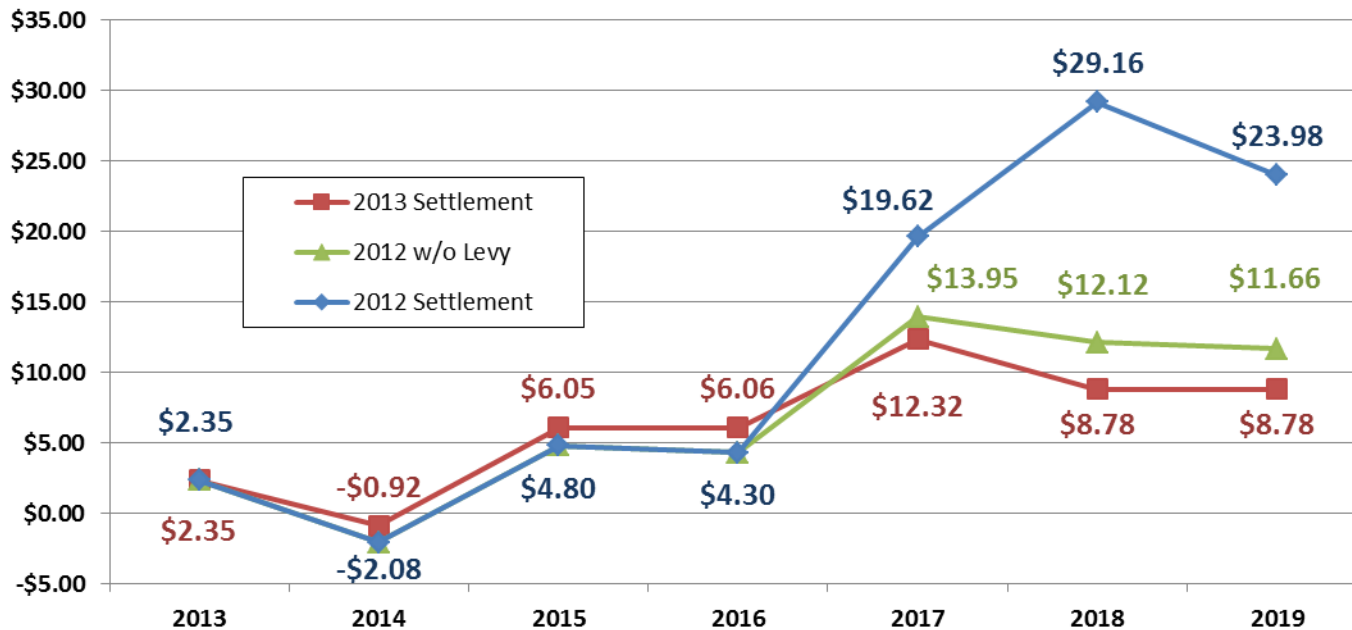
**Notes:** Bill impact in 2015 and 2016 driven by accelerated CR3 carrying charge (\$1.00 in 2015, \$1.50 in 2016) and increase in IS credits (\$0.22 in 2015 and 2016). Bill impact in 2017 and beyond driven by value of CR3 asset and termination of Levy project costs through NCRC.

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