

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 170001-EI

FUEL AND PURCHASED POWER COST
RECOVERY CLAUSE WITH
GENERATING PERFORMANCE
INCENTIVE FACTOR.

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PROCEEDINGS: COMMISSION CONFERENCE AGENDA
ITEM NO. 4

COMMISSIONERS
PARTICIPATING: CHAIRMAN JULIE I. BROWN
COMMISSIONER ART GRAHAM
COMMISSIONER RONALD A. BRISÉ
COMMISSIONER JIMMY PATRONIS
COMMISSIONER DONALD J. POLMANN

DATE: Monday, June 5, 2017

PLACE: Betty Easley Conference Center
Room 148
4075 Esplanade Way
Tallahassee, Florida

REPORTED BY: LINDA BOLES, CRR, RPR
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P R O C E E D I N G S

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2 **CHAIRMAN BROWN:** We are circling back now to
3 Item 4, and I would ask to have Duke up at the table,
4 please.

5 **MR. BARRETT:** Good afternoon, Commissioners.
6 I'm Michael Barrett with the Commission staff.

7 Item 4 addresses the petition for midcourse
8 correction to the fuel cost recovery factors from Duke
9 Energy Florida, LLC. Duke is requesting that a
10 midcourse adjustment factor be applied to current fuel
11 cost recovery factors which were set in last year's cost
12 recovery clause hearing. This adjustment factor is
13 needed to recover higher fuel costs than projected
14 amounts and is proposed to become effective with the
15 July 2017 billing cycle.

16 There have been no customer comments filed in
17 this docket, and representatives from the company are
18 here, if needed.

19 Staff recommends approval on all issues and is
20 available for your questions.

21 **CHAIRMAN BROWN:** Thank you.

22 Commissioners, questions?

23 Seeing none, I have a few.

24 Hi. Good afternoon.

25 **MR. BERNIER:** Good afternoon, Ms. Chair. How

1 are you?

2 **CHAIRMAN BROWN:** Thank you. Good.

3 Mr. Bernier, who is with you?

4 **MR. BERNIER:** This is Chris Menendez. I
5 apologize. He's in rates and regulatory strategy.

6 **CHAIRMAN BROWN:** Oh, great.

7 **MR. MENENDEZ:** Good afternoon, Madam Chairman.

8 **CHAIRMAN BROWN:** Thank you. Good afternoon.

9 I just want to understand what happened to
10 your forecast. We approved it back in October or so,
11 just a few months toward the end of December 2016. What
12 happened? You filed this in April?

13 **MR. BERNIER:** Yes, ma'am, that's correct.

14 So I think what we've seen is now that we have
15 done the upstated -- the updated projections in March,
16 if I'm correct, what we have seen is a decrease in our
17 projected sales coupled with an increase in gas -- or
18 fuel prices, and that is the -- those are the two
19 driving factors of the under-recovery.

20 **CHAIRMAN BROWN:** Right, and I understand that.
21 And the sales are substantially lower. What is that
22 attributed to? Conservation efforts, a warm winter?

23 **MR. BERNIER:** I don't think I could attribute
24 it to any one. I think that those are all factors that
25 are contributing to them, yes.

1 **CHAIRMAN BROWN:** We have a hearing coming up
2 just in three or four months -- three months on this, on
3 the fuel clause, and my big question is how -- and I
4 know it's hard, it's not a perfect science, but how can
5 you make the sales forecast more accurate?

6 Customers want levelized rates. They want
7 predictability. And having fluctuations, I don't
8 think -- I don't think folks understand that this is a
9 passthrough of fuel cost. There's no return on it. You
10 know, I'm just trying to understand how you could make
11 the sales forecast more accurate. Are there tools that
12 you have?

13 **MR. BERNIER:** And I may need Chris to help me
14 out with this one a little bit, but we use the best
15 available information that we have at the time, and
16 forecasts are made using the information that is
17 available at that time. Obviously as you move through
18 time, those things can change and things can impact it.
19 But I'm not aware of anything that we could do to make
20 it more accurate. If there is anything, we would
21 certainly be more than willing to look into it and to
22 apply those as lessons.

23 **CHAIRMAN BROWN:** I know over the years other
24 utilities have had, have had deviations more than
25 10 percent per the rule, under-recoveries, and they did

1 not come in seeking a midcourse correction. What would
2 the impact be if we held -- if the Commission held off
3 on approving the request until we take it up during this
4 year's fuel clause?

5 **MR. BERNIER:** Sure. So the, the
6 under-recovery itself that is being projected now, the
7 \$182 million, could change over, over time. That
8 could -- it could grow, it could, it could decrease,
9 although, you know, we can't know that now. That is the
10 projection using best available information.

11 If, if the midcourse was denied and we were to
12 wait until January 2018, whatever that amount would be
13 would go into rates along with the 2018 factors, which
14 could -- are dependent, of course, on fuel costs then.
15 There would be an increase in interest or carrying
16 charges on that amount as well, which I don't know that
17 we've quantified and I don't think we can right now.

18 **CHAIRMAN BROWN:** But somewhat nominal and
19 relatively --

20 **MR. BERNIER:** I think that's probably
21 accurate, yes, ma'am.

22 And then there would also be the fact that we
23 have asked to have this midcourse done for the 12 months
24 leading up to the Citrus Unit 1 coming into effect,
25 which we are projecting in July next year.

1 If we were to take the entire midcourse that
2 we're talking about and move it into '18, we would lose
3 the smoothing effect that we have tried to build in here
4 with the midcourse rolling off and Citrus rolling in.
5 So we would end up with the, let's call it 470 that we
6 mentioned in the petition staying on for all 12 months
7 of '18. In addition, the roughly 425 for Citrus would
8 go as well in July, and you would end up with a total
9 impact there of about \$9.

10 **CHAIRMAN BROWN:** Almost 10, yeah.

11 **MR. BERNIER:** Yes, ma'am. So the number
12 one -- and that is the impact that we were trying to
13 avoid by filing the midcourse.

14 **CHAIRMAN BROWN:** This particular midcourse
15 correction requested is confusing because of the
16 different components. It's not very clean.

17 Can you go ahead and just -- you started
18 talking about the different timing of events. Can you
19 walk me through the utility's request and the reasons
20 for parsing it out?

21 **MR. BERNIER:** Yeah, I'll do my best.

22 So what we've asked is for the midcourse rates
23 to go into effect in the July billing cycles, and they
24 would stay into effect until Citrus comes in, in which
25 case Citrus would -- it's not a cent for cent, but take

1 its place. In 20 -- when we set the normal 2018 fuel
2 factors through the normal fuel clause, we would
3 essentially be looking at two different numbers that we
4 would have.

5 We would have the regular 2018 rates without
6 the midcourse adjustment, and then we would have the
7 2018 with the midcourse. The with midcourse number
8 would be what would go into effect Jan. 1, and then when
9 Citrus comes in, the without midcourse numbers would go
10 into effect and Citrus would then also come on to the
11 bill.

12 **CHAIRMAN BROWN:** Thank you for that. I
13 appreciate that. Again, I just want more clarity for
14 those that are, that are tuning in so that they're aware
15 of how, how this all works.

16 **MR. BERNIER:** Yes, ma'am.

17 **CHAIRMAN BROWN:** And then the tariffs and the
18 notification to customers will be done with the first
19 billing cycle in July.

20 **MR. BERNIER:** We've actually already provided
21 notification to customers with the current bills. We
22 provided notification of the request. Obviously we
23 didn't say it had been approved because it had not, but
24 that way we would give a little bit more notification
25 than we were able to. Because as the staff rec notices,

1 we have 23 days here between today and July bills. So
2 they will get a -- they have got a notification, all
3 customers who received May and June bills have the
4 notification of the request, and then with July they
5 will get notification, if approved, of the approved new
6 rates.

7 **CHAIRMAN BROWN:** Thank you.

8 We have Commissioners with a couple of
9 questions, and I may come back.

10 Commissioner Patronis.

11 **COMMISSIONER PATRONIS:** Thank you, Madam
12 Chair.

13 I guess I just feel like this is better to be
14 fleshed out during the fuel clause process. Just more
15 information, more numbers will be available. And I'm --
16 I don't know how the rest of the Commissioners feel, but
17 I'd be ready to put that in a motion when everybody is
18 ready.

19 **CHAIRMAN BROWN:** Thank you. I appreciate
20 that.

21 Commissioner Polmann.

22 **COMMISSIONER POLMANN:** Thank you, Madam Chair.

23 The Chairman raises a couple of questions,
24 which leads me to ask are the forecast models that
25 you're using proprietary?

1 **MR. MENENDEZ:** I don't know offhand,
2 Commissioner, if the models are proprietary.

3 **COMMISSIONER POLMANN:** Okay. You've made
4 mention several times to "best available information,"
5 and I appreciate that. I often use that phrase.

6 Hard to tell whether you actually have best
7 available information, but you have what you have.

8 So let me ask this then: Do you actually have
9 and, therefore, do we have sufficient information to be
10 able to make comparisons to what we often call industry
11 standards for the goodness of the, of the model
12 prediction? How good is it?

13 **MR. BERNIER:** I don't want to use the phrase
14 again but I'm going to have to, it is the best available
15 information that we have before us and --

16 **COMMISSIONER POLMANN:** Well, that's the input
17 side. You know, the best available information goes
18 out. But it comes back to the Chairman's question, I
19 think, is, you know, you're forecasting ahead and
20 there's some uncertainty, but --

21 **MR. BERNIER:** Understood. The nature of the
22 fuel clause is such that we have to project out and use
23 those, and the midcourse is the tool for when actuals
24 and projections don't marry the way that we would want
25 them to, if that answered your question.

1 **COMMISSIONER POLMANN:** Is it -- the forecast
2 is on an annual basis, or do you -- are you projecting,
3 you know, monthly, quarterly, or --

4 **MR. BERNIER:** So it's done a couple of times
5 during the year, and I think, Chris, you could --

6 **MR. MENENDEZ:** Yes, Commissioner. We prepare
7 a fuel cast -- fuel forecast on a monthly basis, but it
8 is for the entire 12-month period in the case of a
9 projection filing.

10 **COMMISSIONER POLMANN:** Okay. Thank you.

11 **CHAIRMAN BROWN:** Commissioners?

12 Commissioner Brisé.

13 **COMMISSIONER BRISÉ:** Just one question. So
14 obviously the impact will be based upon usage, and the
15 summer has just begun. And so is there a chance that we
16 will be back having a conversation about refunds, or
17 maybe not have to be having a conversation about
18 refunds, but the company be required to provide refunds
19 based upon the fact that we're looking at forecasts that
20 may not be totally accurate and sort of getting ahead of
21 ourselves with an opportunity to address this a little
22 bit later without having the impact to consumers in the
23 interim? So if you could respond to that.

24 **MR. BERNIER:** I can try.

25 Based on the current projections, that is not

1 what we are expecting. And I do know that obviously, as
2 the summer months are coming, usage patterns can change.
3 We use weather normalized projections, and we don't know
4 what the costs of natural -- of fuel in general will do.
5 So, again, to use the term, we're here with the best
6 available information.

7 **CHAIRMAN BROWN:** All right. Commissioners,
8 any further comments or questions?

9 I believe Commissioner Patronis wanted to talk
10 about the timing.

11 Commissioner Patronis.

12 **COMMISSIONER PATRONIS:** Thank you, Madam
13 Chairman.

14 I move that we defer this decision to the fuel
15 clause.

16 **CHAIRMAN BROWN:** Okay. Is there a second?

17 I support that decision as well.

18 Is there a second?

19 **COMMISSIONER BRISÉ:** Second.

20 **CHAIRMAN BROWN:** Any further discussion?

21 All those in favor, say aye.

22 (Vote taken.)

23 Opposed?

24 It passes unanimously.

25 Thank you for your request. We will see you

1 in a few months.

2 **MR. BERNIER:** Yes, ma'am. Thank you.

3 **CHAIRMAN BROWN:** Thank you.

4 (Agenda item concluded.)

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1 STATE OF FLORIDA)
 :
2 COUNTY OF LEON) CERTIFICATE OF REPORTER

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4 I, LINDA BOLES, CRR, RPR, Official Commission
5 Reporter, do hereby certify that the foregoing
6 proceeding was heard at the time and place herein
7 stated.

8 IT IS FURTHER CERTIFIED that I stenographically
9 reported the said proceedings; that the same has been
10 transcribed under my direct supervision; and that this
11 transcript constitutes a true transcription of my notes
12 of said proceedings.

13 I FURTHER CERTIFY that I am not a relative,
14 employee, attorney, or counsel of any of the parties,
15 nor am I a relative or employee of any of the parties'
16 attorney or counsel connected with the action, nor am I
17 financially interested in the action.

18 DATED THIS 12th day of June, 2017.

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