

State of Florida



# Public Service Commission

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**-M-E-M-O-R-A-N-D-U-M-**

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**DATE:** May 22, 2018

**TO:** Carlotta S. Stauffer, Commission Clerk, Office of Commission Clerk

**FROM:** Douglas Wright, Engineering Specialist I, Division of Engineering *DW*

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

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Please file the attached correspondence between Jenny Wu and Duke Energy Florida, LLC in the above mentioned docket file.

Thank you.

## Doug Wright

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**From:** Jenny Wu  
**Sent:** Tuesday, May 15, 2018 3:38 PM  
**To:** Orlando Wooten; Doug Wright; Charles Murphy  
**Cc:** Bill McNulty  
**Subject:** FW: Estimated Unit Fuel Cost in the DEF Standard Offer Contract

Good Afternoon Folks.

As we discussed before, in its response to staff's 2<sup>nd</sup> DR DEF claimed that it hasn't used any fuel price forecast to derive the Estimated Unit Fuel Cost included in the current Standard Offer Contract. It, however, indicated that fuel price forecast did used in 2017 and 2016 Standard Offer Contract in DEF's response to staff' 1<sup>st</sup> DR in Docket No. 20170274-EQ. To clarify this apparently contradictory statements, I've called Mr. Pickles & Mr. Gammon of DEF, and the following is the written response based on the explanations they provided over the phone.

After reviewing all the related information and further consideration, our section does not have further concerns on this matter; and we do not have addition to the draft rec of the instant docket. Also, please place DEF's responsive email into the docket if you determine it's appropriate.

Thanks,  
Jenny

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**From:** Gammon, David W [<mailto:David.Gammon@duke-energy.com>]  
**Sent:** Monday, May 14, 2018 4:23 PM  
**To:** Jenny Wu  
**Cc:** Robert Pickels; Waldmann, Tamara L  
**Subject:** Estimated Unit Fuel Cost in the DEF Standard Offer Contract

Ms. Wu,

You asked about the Estimated Unit Fuel Cost in the DEF Standard Offer Contract and why DEF responded in Question 1 of the Second Data Request that DEF has not used any fuel price forecast to derive the Estimated Unit Fuel Cost. The Estimated Unit Fuel Cost changes during the year as new forecasts are developed. Further, the Estimated Unit Fuel Cost is merely an estimate of the fuel portion of the Avoided Unit Energy Cost and as such only provides an estimate of a portion of the Energy Payment under the Standard Offer Contract. Remember the Standard Offer Contract energy payment is the lower of the Avoided Unit Energy Cost and the As Available rate on an hourly basis and that the actual fuel cost is one component of the Avoided Unit Energy Cost. While DEF will provide the Estimated Unit Fuel Cost to a potential QF we often explain the potential QF that a forecast of projected payment rates in \$/MWh along with historical As Available pricing is often more responsive to the their needs and then we provide an estimate similar to the one provided in Question 6 of the First Data Request and historic As Available prices.

You also asked about DEF's response to Question 5(e) of the First Data Request of Docket 20170274 in which DEF responded that the 2017 TYSP forecast was used for the 2017 Standard Offer Contract. DEF used the fuel forecast in determining the avoided unit only. The fuel forecast is not used to determine the energy price of the Standard Offer Contract. I would note that DEF's response also stated that the fuel forecast has no rate impact in the Standard Offer Contract filing. There is no rate impact because the actual fuel prices are used to determine the energy payment in the Standard Offer Contract, not a forecasted price.

If you have any further questions, please let me know.