

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Duke Energy Florida, LLC's Petition for a limited proceeding to approve first solar base rate adjustment

Docket No. 20180149-EI

Filed: March 7, 2019

**DUKE ENERGY FLORIDA, LLC'S
PREHEARING STATEMENT**

Pursuant to the Order Establishing Procedure, Order No. PSC-2018-0505-PCO-EI, Duke Energy Florida, LLC ("DEF") hereby submits its Prehearing Statement with respect to its petition for a limited proceeding to approve its first solar base rate adjustment and multi-year base rate increase:

1. **Known Witnesses** - DEF intends to offer the testimony of:

Witness	Subject Matter	Issues#
Matthew G. Stout	Costs and characteristics of the Hamilton and Columbia Solar Projects; DEF's competitive solicitation processes; compliance with terms of 2017 Second RRSSA	1,4,5,6,8
Marcia Olivier	Calculation of revenue requirements for the Hamilton and Columbia Solar Projects; compliance with terms of 2017 Second RRSSA	4,5,6,7,8,9,10
Benjamin M. H. Borsch	Cost effectiveness of the Hamilton and Columbia Solar Projects; compliance with terms of 2017 Second RRSSA	2,3,4,8

2. **Known Exhibits** - DEF intends to offer the following exhibits:

Witness	Proffered By	Exhibit #	Description
Matthew G. Stout	DEF	(MGS-1)	Hamilton Project-General Arrangement Detail
Matthew G. Stout	DEF	(MGS-2)	Hamilton Project Estimated Installed Cost by Category CONFIDENTIAL
Matthew G. Stout	DEF	(MGS-3)	Columbia Project-General Arrangement Detail
Matthew G. Stout	DEF	(MGS-4)	Columbia Project-General Arrangement Detail CONFIDENTIAL
Marcia Olivier	DEF	(MO-1)	SoBra First Year Annualized Revenue Requirement
Marcia Olivier	DEF	(MO-2)	Rate Summary Corrected
Marcia Olivier	DEF	(MO-3)	Legislative Tariffs
Marcia Olivier	DEF	(MO-4)	Clean Tariffs
Benjamin M. H. Borsch	DEF	(BMHB-1)	Solar Plant Assumptions
Benjamin M. H. Borsch	DEF	(BMHB-2)	Load Forecast
Benjamin M. H. Borsch	DEF	(BMHB-3)	Fuel Forecasts
Benjamin M. H. Borsch	DEF	(BMHB-4)	Cost Effectiveness (CPVRR) Analysis Results

DEF reserves the right to identify additional exhibits for the purpose of cross-examination or rebuttal.

3. **Statement of Basic Position** - The Commission should approve the two solar projects DEF has included in its filing for cost recovery pursuant to the 2017 Second Revised and Restated Stipulation and Settlement Agreement (“2017 Second RRSSA”) approved by the Commission in Order No. PSC-2017-0451-AS-EU. Specifically, the Hamilton Solar Power Plant (“Hamilton Project”) went into service in December 2018 and the Columbia Solar Power Plant (“Columbia Project”) will come into service in early 2020. DEF’s solar projects meet the requirements set forth in the 2017 Second RRSSA; namely, they

are under the \$1,650/kWac cap, they are cost effective, and their costs meet the reasonableness requirements set forth in the Paragraph 15(a) of the 2017 Second RRSSA. DEF has also demonstrated that it needs the solar projects. Accordingly, DEF respectively requests that its solar projects be approved for rate recovery.

4. **Statement of Facts**

ISSUES

ISSUE 1: Are the projected installed costs of each of the Hamilton and Columbia projects proposed by DEF within the Installed Cost Cap of \$1,650 per kW_{ac} pursuant to subparagraph 15(a) of the 2017 RRSSA?

DEF: Yes, the weighted average projected installed cost for the facilities in this filing is \$1,486/kWac, which is less than the \$1,650/kWac set forth in the 2017 Second RRSSA. (Witness: Stout)

ISSUE 2: Are the Hamilton and Columbia Solar Projects proposed by DEF cost effective pursuant to subparagraph 15(c) of the 2017 Second RRSSA?

DEF: Yes, the Hamilton and Columbia Solar Projects are cost effective in accordance with subparagraph 15(c) and result in a reduction in the Cumulative Present Value Revenue Requirements (“CPVRR”) to DEF customers for a total savings of approximately \$130 million (base case). The results of each sensitivity are summarized below:

CPVRR Net Cost / (Savings) of Proposed Solar Projects
\$ Millions (2018)

Low Fuel Sensitivity	Base Case Fuel	High Fuel Sensitivity
(98)	(130)	(205)

(Witness: Borsch)

ISSUE 3: Are the Hamilton and Columbia Solar Projects proposed by DEF needed pursuant to subparagraph 15(c) of the 2017 Second RRSSA?

DEF: Yes, the Hamilton and Columbia Solar Projects will diversify DEF’s fuel mix with dependable cost-effective energy, and provide firm summer capacity, helping to meet DEF’s needs for future capacity and satisfy DEF’s need for future generation capacity. Given all relevant factors, DEF has a need for cost-effective emission-free generation that will diversify and strengthen its supply side generation portfolio and associated fuel requirements, and defer the need for future gas-fired generation. DEF’s planned interconnection of 700 MW of utility-

owned solar generation, including the Hamilton and Columbia projects, provides cost-effective, reliable, clean, and flexible solar energy that will lower DEF's reliance on natural gas over time. The Hamilton and Columbia Solar Projects are the initial facilities in the 700 MW of scaled solar projects contemplated under the 2017 Second RRSSA that will address DEF's need to broaden its generation technology and fuel mix given its coal-fired steam plant retirements. These Projects will reduce DEF's reliance on natural gas going forward and help mitigate the effects of any natural gas supply interruptions and transportation instabilities while contributing to customer fuel price stability. Further, these facilities will provide cost-effective renewable generation that will contribute to the need to curb greenhouse gases, including carbon dioxide emissions and meet any future climate change policy mandates. Finally, DEF's solar facilities will meet the need for having cost-effective flexible solar generation facilities that will be dispatchable and integrated into DEF's entire resource portfolio and available for potential technology changes or retrofits to benefit all of DEF's customers over their useful life. (Witness: Borsch)

ISSUE 4: Are the Hamilton and Columbia Solar Projects otherwise in compliance with the Terms of Paragraph 15 of the 2017 Second RRSSA?

DEF: Yes, the Hamilton and Columbia Solar Projects meet all of the requirements set forth in the 2017 Second RRSSA. The needed projects are reasonable, cost-effective, and are being filed with correct and appropriate revenue requirement calculations. The megawatts proposed are within the yearly limits set forth in the 2017 Second RRSSA. DEF conducted a reasonable and comprehensive review of greenfield sites (including sites that it already owns) and projects already in development in DEF's service territory to select the Hamilton and Columbia Solar Projects. DEF used a competitive bidding process to select the engineering, procurement, and construction ("EPC") contractor and the equipment and material for each project. As demonstrated by DEF's testimony and exhibits, the costs for the projects are reasonable and at market. Generally, the costs for Hamilton Project and Columbia Projects are in line with those filed by other utilities while being designed to achieve higher Net Capacity Factors than those reported by other utilities in Florida. Finally, DEF calculated the revenue requirements and base rate adjustments consistent with the 2017 Second RRSSA. (Witnesses: Stout, Borsch, Olivier)

ISSUE 5: What is the annual revenue requirement associated with DEF's Hamilton Project?

DEF: The annualized revenue requirements of the Hamilton Project is \$15.2 million. (Witnesses: Stout, Olivier)

ISSUE 6: What is the annual revenue requirements associated with DEF's Columbia Project?

DEF: The annualized revenue requirements of the Columbia Project is \$14.0 million. (Witnesses: Stout, Olivier)

ISSUE 7: **What are the appropriate base rates needed to collect the estimated annual revenue requirement for the Columbia Project?**

DEF: DEF cannot perform this calculation until closer in time to the 2020 expected in-service date for the Columbia Project, because the base rates must use the sales forecast that will be filed in the CCR Clause projection filing in September and the base rates are subject to other adjustments provided for in the 2017 Second RRSSA (e.g., the multi-year base rate increase). (Witness: Olivier)

ISSUE 8: **Should the Commission modify the tariffs and associated base rates for the Hamilton Project approved in Order No. PSC-2018-0559-FOF-EI based on the Commission's decision in Issue 5?**

DEF: No. No modifications are necessary because DEF has complied with all requirements of the 2017 Second RRSSA; therefore, the projected revenue requirements for the Hamilton Project are not different from the revenue requirements used to calculate the base rates included in the approved tariffs. DEF will be required to file a true-up if the actual capital expenditures, once final, are lower than the approved capital expenditures consistent with Paragraph 15.g. of the 2017 Second RRSSA. (Witnesses: Stout, Borsch, Olivier)

ISSUE 9: **Should the Commission give staff administrative authority to approve tariffs and associated base rates reflecting the Commission's decision on the Columbia Project in Issue 6?**

DEF: Yes, DEF will file its tariffs with the Commission staff, for administrative approval, before the in-service date of the Columbia Project. The calculation of the base rate impact will be done in accordance with the 2017 Second RRSSA. (Witness: Olivier)

ISSUE 10: **What should be the effective date of the Columbia Project tariffs?**

DEF: The effective date of the Columbia Project tariffs should be the first billing cycle for the month after the in-service date of the Columbia Project. That is currently expected to be early 2020. (Witness: Olivier)

ISSUE 11 **Should the docket be closed?**

DEF: Yes.

5. **Stipulated Issues** - None at this time.

Pending Motions - DEF does not have any pending motions at this time.

6. **Requests for Confidentiality**

DEF has the following pending requests for confidential classification and/or Notice of Intent to Request Confidential Classification:

- December 3, 2018-DEF's Request for Confidential Classification regarding its Response to Staff's First Request for Production of Documents (Nos. 1-4) (DN 07372-2018);
- February 25, 2019-DEF's Notice of Intent to Request Confidential Classification regarding DEF's Response to Staff's Second Set of Interrogatories (41-50) (DN 01246-2019); and
- March 5, 2019, DEF's Notice of Intent to Request Confidential Classification regarding DEF's Response to Staff's Second Set of Interrogatories (41-50) (DN 01464-2019).

7. **Objections to Qualifications** - DEF has no objection to the qualifications of any expert witnesses in this proceeding at this time, subject to further discovery in this matter.

8. **Sequestration of Witnesses** - DEF has not identified any witnesses for sequestration at this time.

9. **Requirements of Order** - At this time, DEF is unaware of any requirements of the Order Establishing Procedure and Order revising Order Establishing Procedure of which it will be unable to comply.

RESPECTFULLY SUBMITTED this 7th day of March, 2019.

/s/ Dianne M. Triplett

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CERTIFICATE OF SERVICE

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I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished via email this 7th day of March, 2019 to all parties of record as indicated below.

/s/ Dianne M. Triplett

Attorney

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