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-

DATE: June 1, 2023

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Engineering (Wooten, Ellis) TB
Division of Economics (Hampson) JGH
Office of the General Counsel (Stiller) JSC

RE: Docket No. 20220202-EI – Petition for approval of new clean energy impact program, a new renewable energy certificates (REC) buying program, by Duke Energy Florida, LLC.

AGENDA: 06/13/23 – Regular Agenda – Tariff Filing - Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Clark

CRITICAL DATES: 7/15/2023 – 8-month effective date

SPECIAL INSTRUCTIONS: None

Case Background

On November 15, 2022, Duke Energy Florida, LLC (DEF or Company) filed a petition for approval of its Clean Energy Impact (CEI) Program and associated tariff. The Program would provide DEF customers the opportunity to purchase renewable energy certificates (RECs) directly from the Company. RECs are a tradeable market-based verification unit which are certified by a third party entity to represent renewable attributes of electricity generated from a renewable source, typically in increments of 1,000 kilowatt-hours (kWh). RECs are generally purchased to comply with regulatory requirements, to support renewable energy claims, or to meet voluntary renewable energy targets. When a REC is purchased and retired, it can no longer be traded but the purchaser of the REC can claim the environmental aspects of the energy produced. For the CEI Program, DEF proposes to use RECs generated by its renewable resources, which currently includes 13 solar facilities. The Company will retire RECs as the purchases are completed.

On December 15, 2022, DEF waived the 60-day file and suspend requirement pursuant to Section 366.06(3), Florida Statutes (F.S.). After the filing of DEF's original petition, staff requested further information via data requests to clarify terms of the proposed program and tariff language. On April 3, 2023, staff met with DEF and informed the Company of concerns surrounding the proposed tariff language. In response to staff inquiries and the informal meeting, on April 14, 2023, DEF filed an amended petition and amended tariff. This recommendation addresses the amended petition and associated tariff.

The Commission has jurisdiction under Sections 366.04, 366.05, 366.91, and 366.92, F.S.

Discussion of Issues

Issue 1: Should the Commission approve DEF's petition for the Clean Energy Impact Program and associated tariffs, as amended on April 14, 2023?

Recommendation: Yes. DEF's proposed CEI Program provides DEF customers an opportunity to voluntarily demonstrate support for renewable energy through a mechanism that provides a benefit to the general body of ratepayers. Net program revenues from REC sales should be included as a credit in the Fuel and Purchased Power Cost Recovery Clause (Fuel Clause), offsetting other fuel expenses. In addition, staff recommends that DEF provide a summary of program costs and benefits as a part of its annual Fuel Clause filing. The proposed tariffs, as provided in Attachment A, should become effective upon issuance of a Commission Order approving the CEI Program and tariff. (Wooten, Hampson)

Staff Analysis: Currently, customers interested in demonstrating support for renewable energy can purchase RECs from one of several tradeable markets. RECs purchased on the market are retired in the name of the purchaser, who is then the only person entitled to claim credit for the attributes of the renewable energy represented by the REC. A REC that has been purchased and retired can no longer be traded and cannot be sold again.

The CEI Program provides DEF customers the option to purchase RECs directly from the Company. Handling REC sales through a tariff allows the company to charge customers conveniently as a line item on their utility bill and allows DEF the opportunity to provide sales of smaller REC amounts to residential customers. RECs purchased under the CEI Program would be generated by DEF owned renewable facilities, currently comprised of 13 solar facilities. These 13 facilities are separate from the 10 solar facilities associated with DEF's Clean Energy Connection (CEC) program, as RECs generated by those facilities will be retired by DEF on behalf of the CEC participants.

The voluntary REC purchases would allow DEF to generate additional revenue from assets already part of DEF's rate base. The Company is not using and does not need the environmental attributes associated with these RECs for any regulatory compliance purposes. The Company will retire RECs purchased by non-residential customers in their names, and will retire annually all RECs purchased by residential customers in the name of the Company.

Program participation would be limited by the number of RECs available, which DEF would annually estimate based on a percentage of RECs expected to be generated for the year. If REC demand exceeds supply, the proposed amended tariff also allows DEF to implement an annual random selection process or wait list system at the Company's discretion. In response to staff concerns regarding the lack of specificity for REC allocation, DEF revised its tariff and included language that describes the planned reservation of RECs based on customer class. Annually, 10 percent of available RECs will be reserved for the residential customer class, with the caveat that if the reserved amount is not fully purchased by September 30, then the remaining available RECs will be available for sale to all customer classes until the end of the year. The remaining 90 percent of available RECs reserved for non-residential customers would also be subject to the same rules regarding unpurchased REC allocations. Program participants can purchase RECs that exceed their electric usage but are restricted by REC availability and reserved customer class allocation amounts.

Participation requirements under the CEI Program vary based on customer class. Residential participants would be able to purchase portions of RECs in increments of 250 kWh, which is the required monthly minimum purchase amount according to the tariff. Participating residential customers can cancel with 30 days notice to the Company. Non-residential participants would be required to enter into a service agreement and purchase a minimum of 1,000 RECs to participate in the CEI Program. The service agreement that non-residential customers enter would be offered on an annual basis with a service term up to 5 years. Staff notes that program participants who are delinquent in their payments for the CEI Program could not be disconnected from electric service, provided they had paid the remainder of their bill, but could be removed from the CEI Program.

DEF would annually set the rate for RECs based upon market REC pricing, plus an administrative fee to cover expenses related to the program. The Company intends to choose a tradeable market that will be used to determine REC pricing for the proposed program, but has yet to finalize its tradeable market choice. The Company will set REC pricing based upon the previous 12 months monthly average price at DEF's chosen tradeable market. The Company will provide the annual calculation of customer REC pricing and blocks of RECs, via its website for both customer classes, with the website links shown in the amended tariff.

The administrative fee would be set annually by DEF and be based on estimated administrative expenses and the estimated RECs to be sold during the year. Per the proposed tariff, the administrative fee would not be allowed to exceed 20 percent of the market REC price. DEF estimated the annual program administrative expenses to be approximately $400,000, and are comprised of program labor costs, marketing expenses, IT/software expenses, and REC registration fees. Based on DEF's estimates and the administrative fee limit, the minimum market REC price to breakeven would be $3.30 per REC in 2023, decreasing to $2.48 by 2028.

In DEF's original petition, program revenues and expenses were intended to be included in base rates; however, in response to staff concerns, the petition was amended to include revenues, net of expenses, in DEF's Fuel Clause filings. Staff believes that including net revenues through the Fuel Clause allows the Commission to ensure that the program continues to generate benefits for the general body of ratepayers that are reflected in rates on a more timely basis. Staff also believes that passing revenues generated from REC sales through the Fuel Clause is appropriate because RECs are generated from energy produced from utility-owned generation resources whose costs are recovered from DEF's general body of ratepayers.

DEF proposes to provide an annual program report within its annual Fuel Clause filings, including a summary of annual sales, by customer class, of RECs for the previous year. Staff recommends that DEF's proposed summary should also include, at a minimum, the number of program participants in total and by customer class, the amount of RECs generated by DEF, the amount of RECs made available to the CEI Program, the amount of revenue generated both in total and by type (REC sales and administration fees), and the total program administrative expenses. Staff believes that these reporting requirements will provide the Commission additional information to ensure the program is continuing sustainably and is providing a net benefit to the general body of ratepayers.

Conclusion

DEF's proposed CEI Program allows customers to voluntarily demonstrate support for renewable energy while providing a benefit to the general body of ratepayers. Net program revenues from REC sales should be included as a credit in the Fuel Clause, offsetting other fuel expenses. In addition, staff recommends that DEF provide a summary of program costs and benefits as a part of its annual Fuel Clause filing. The proposed tariffs, as provided in Attachment A, should become effective upon issuance of a Commission Order approving the CEI Program and tariffs.

Issue 2: Should this docket be closed?

Recommendation: Yes. If Issue 1 is approved and a protest is filed within 21 days of the issuance of the order, the tariff should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order. (Stiller)

Staff Analysis: If Issue 1 is approved and a protest is filed within 21 days of the issuance of the order, the tariff should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order.

DUKE ENERGY.

SECTION NO. VI
TWENTY-SEVENTH REVISED SHEET NO. 6.100
CANCELS TWENTY-SIXTH REVISED SHEET NO. 6.100

Page 1 of 1

INDEX OF RATE SCHEDULES

ISSUED BY: Thomas G. Foster, Vice President, Rates & Regulatory Strategy - FL

EFFECTIVE:

DUKE ENERGY.

SECTION NO. VI
ORIGINAL NO. 6.420

Page 1 of 2

RATE SCHEDULE CEI-1
CLEAN ENERGY IMPACT PROGRAM

Availability:

This optional Clean Energy Impact Program (the "Program") provides customers the option to foster and promote the use of renewable energy through the purchase of renewable energy attributes from Duke Energy Florida (Company) owned Renewable Energy Resources. This Program is available on a voluntary first come, first served basis to residential and non-residential customers, receiving concurrent service from the Company who contract for a block(s) of Renewable Energy Certificates (RECs) generated from Renewable Energy Resources. The maximum number of customers served under this Program shall be determined by the maximum number of blocks of RECs available for purchase through the Program. This Program is not available for temporary service or for resale service. This Program shall remain open to eligible customers pursuant to the Program's terms and conditions.

Definitions:

Renewable Energy Resources: For the purposes of this Program, Renewable Energy Resources shall include generation resources owned by the Company tied to the Company's grid which generate energy from renewable resources, such as solar photovoltaic (PV) facilities and wind facilities. The RECs purchased under the Program may be derived from any combination of different Renewable Energy Resources which fosters a blend of renewable energy.

Renewable Energy Certificates: RECs shall mean tradable units that represent the commodity formed by unbundling the environmental attributes of a unit of renewable or environmentally friendly energy from the underlying electricity. One REC would be equivalent to the environmental attributes of one MWH (1,000 kWh) of electricity from a renewable or environmentally friendly generation source.

Applicable:

This optional Program is offered in conjunction with the applicable rates, terms, and conditions under which the customer takes service from the Company.

Residential Customers: Residential customers, will be offered RECs in block increments sized at 250 kWh per block, which is a quarter of 1 REC (1,000 kWh). Residential customers may purchase as many blocks of RECs as they choose, with a minimum monthly purchase of 1 block.

Residential customers shall elect to participate in the Program by completing the request at the Company's electronic platform located at www.duke-energy.com or by verbally requesting participation to a Company representative. Upon request by the Customer, the Company shall prepare a service confirmation (the "Service Confirmation") that shall specify the number of blocks and price to be purchased monthly. The Service Confirmation shall be provided to customer for Program. The Service Confirmation shall remain in effect for the term stated therein and shall automatically renew unless the customer notifies the Company of their intent to be removed from the Program. The customer may terminate the Service Confirmation at any time by providing the Company not less than thirty (30) days' notice of its desire to cancel its participation in this rider.

Residential customers will not be eligible to enroll in the Program if within the last 12 months, the customer has:

1) Defaulted on a payment arrangement;
2) Entered into a multi-month payment arrangement;
3) Had a payment that was not honored by a financial institution; or
4) Been disconnected for non-payment of electric service.

Non-Residential Customers: Non-Residential customers must purchase a minimum of 1,000 RECs annually. For non-residential customers interested in purchases above the 1,000 REC minimum, RECs shall be offered in 1 REC increments. There is no upper limit to the number of RECs that individual non-residential customers may purchase, though there may be the possibility for a customer's requested REC amount being unavailable at time of purchase if the demand for RECs exceeds the available supply.

Non-residential customers in Company's service territory may purchase RECs as a standalone product, separate from their standard electric service by entering into a Service Agreement, which will be drafted by the Company. The stand-alone product will be offered on an annual basis, subject to availability. The Service Agreement shall be for a term of up to 5-years, subject to credit approval and availability.

If non-residential customers elect to be billed monthly for Program REC purchases in conjunction with their monthly electric service bill, they will not be eligible to enroll in the program if within the last 12 months, the customer has:

1) Defaulted on a payment arrangement;
2) Entered into a multi-month payment arrangement;
3) Had a payment that was not honored by a financial institution; or
4) Been disconnected for non-payment of electric service.

(Continued on Page No. 2)

ISSUED BY: Thomas G. Foster, Vice President, Rates & Regulatory Strategy - FL
EFFECTIVE:

DUKE ENERGY.

SECTION NO. VI
ORIGINAL NO. 6.421

RATE SCHEDULE CEI-1
CLEAN ENERGY IMPACT PROGRAM
(Continued from Page No. 1)

Rate:

In addition to all other charges stated in the applicable Schedule with which this Program is used, the following charge shall also apply to each block the customer purchases:

The cost of blocks of RECs to customers will be set annually beginning when Commission approval of the Program is received. The annual REC price will be based on the monthly average of the applicable REC market rate (from the tradeable market) for the previous 12 months. In addition to the average market rate, the REC price will also include an administrative fee, which will not exceed 20% of the related average market rate per REC. For residential customers, the block price will equal one quarter of the REC price plus administrative fee described above.

The administrative fee will be reviewed annually to evaluate if fees collected matched the administrative expenses. If they do not match, the administrative fee will be adjusted the following year, but will never exceed 20% of the applicable annual average market rate per REC. The Company may bill non-residential customers separately for REC purchases on a quarterly or annual basis, not on their Duke Energy bill.

The Company shall display the annual calculation of the customer cost of RECs (and blocks of RECs) on its website, within the Clean Energy Impact webpage:

Residential page: https://www.duke-energy.com/home/products/clean-energy-impact/

Non-Residential page: https://www.duke-energy.com/business/products/clean-energy-impact/

The Rate shall apply to the customer's bill regardless of the customer's actual kilowatt-hour consumption.

Special Provisions:

1. The Company reserves the right to terminate this Program at any time.

2. Participants may be terminated from the Program by Company if the customer becomes delinquent on the Program. The Company reserves the right to remove customers from the Program who do not pay Program fees for two consecutive months or who start bankruptcy proceedings. The Company also reserves the right to remove customers that enter a payment arrangement plan.

3. RECs generated by the Renewable Energy Resources portfolio shall be retired by the Company on behalf of all residential participants on a yearly basis. Non-residential RECs will be retired in the customer's name. The retirement of RECs will be done in the North American Registry (NAR). RECs will not be retired until payment from the customer has been confirmed. The Company will provide documentation of the REC retirement upon request by the customer. The Company will solely retain all claims related to its ownership, maintenance, facility procurement, and generation of the energy from DEF-owned Renewable Energy Resources, as well as the emissions, fuel, and all other impacts, benefits, reductions, displacements, and/or offsets occurring on the Company's system in connection with the generation, facility procurement, and use of the energy from Renewable Energy Resources to serve the Company's system or customers.

4. The Company will reserve 10% of the Program's estimated available RECs annually to be purchased by residential customers. If this 10% is not fully purchased by residential customers by the end of the third quarter each year (September 30), then the available RECs within this residential allocation will become for sale to all customers through year-end. The same will apply for the capacity reserved for business customers if not subscribed to by September 30 that the RECs could become available to residential customers. Otherwise, RECs are available on a first come, first-served basis. The Company may, in its discretion, implement an annual random selection process system and/or a wait list if it determines that the demand for RECs exceeds the supply. RECs will be retired by the Company on behalf of program participants annually.

ISSUED BY: Thomas G. Foster, Vice President, Rates & Regulatory Strategy - FL
EFFECTIVE: