

**BEFORE THE PUBLIC SERVICE COMMISSION**

In re: Fuel and purchased power cost recovery  
clause with generating performance incentive  
factor. | DOCKET NO. 130001-EI  
DATED: October 7, 2013

**DUKE ENERGY FLORIDA, INC.'S  
PREHEARING STATEMENT**

Duke Energy Florida, Inc. (DEF) hereby submits its Prehearing Statement with respect to its levelized fuel and capacity cost recovery factors and its Generating Performance Incentive Factor (GPIF) for the period of January 2014 through December 2014:

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

<u>Witness - Direct</u>	<u>Subject Matter</u>	<u>Issues</u>
Thomas G. Foster	Fuel Cost Recovery True-Up (2012)	8
	Capacity Cost Recovery True-Up (2012)	24
	Projection and Actual/Estimated True-up	6, 7, 9, 10
	Fuel and Capacity Cost Projections	11, 19-24, 28-34
	Other Matters	1C, 35
Joseph McCallister	2013 April/August Hedging Information	1A
	2014 Risk Management Plan	1B
Matthew J. Jones	GPIF: Reward/Penalty Schedules	16
	GPIF: Targets/Ranges Schedules	17
	Other Matters	18

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

<u>Exhibit No.</u>	<u>Witness</u>	<u>Description</u>
_____ (TGF-1T)	Foster	Fuel Cost Recovery True-Up (Jan – Dec. 2012)
_____ (TGF-2T)	Foster	Capacity Cost Recovery True-Up (Jan – Dec. 2012)
_____ (TGF-3T)	Foster	Schedules A1 through A3, A6 and A12 for Dec 2012
_____ (TGF-4T)	Foster	2012 Capital Structure and Cost Rates Applied to Capital Projects
_____ (TGF-2)	Foster	Actual/Estimated true-up Schedules for period January – December 2013
_____ (TGF-3)	Foster	Projection factors for January to December 2014
_____ (JM-1P)	McCallister	2014 Risk Management Plan
_____ (JM-2P)	McCallister	Hedging Report (January – July 2013)
_____ (MJJ-1T)	Jones	GPIF Reward/Penalty Schedules for 2012
_____ (MJJ-1P)	Jones	GPIF Targets/Ranges Schedules (for Jan – Dec. 2014)

C. Statement of Basic Position - Not applicable. DEF's positions to specific issues are listed below.

D.-F. Issues and Positions

DEF's positions on the issues identified in this proceeding are as follows:

## COMPANY SPECIFIC FUEL ADJUSTMENT ISSUES

**ISSUE 1A:** Should the Commission approve as prudent, DEF's actions to mitigate the volatility of natural gas, residual oil, and purchased power prices, as reported in DEF's April 2013 and August 2013 hedging reports?

**DEF:** Yes. DEF's actions are reasonable and prudent. (McCallister)

**ISSUE 1B:** Should the Commission approve DEF's 2014 Risk Management Plan?

**DEF:** Yes. (McCallister)

**ISSUE 1C:** Has DEF correctly reflected necessary refunds and adjustments pursuant to either the Settlement approved in Order No. PSC-12-0104-FOF-EI or the Revised and Restated Stipulation and Settlement Agreement filed in Docket 130208, as appropriate, in the calculation of the 2014 factors?

**DEF:** Yes. (Foster)

## GENERIC FUEL ADJUSTMENT ISSUES

**ISSUE 6:** What are the appropriate actual benchmark levels for calendar year 2013 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

**DEF:** \$589,283. (Foster)

**ISSUE 7:** What are the appropriate estimated benchmark levels for calendar year 2014 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

**DEF:** \$387,112. (Foster)

**ISSUE 8:** What are the appropriate fuel adjustment true-up amounts for the period January 2012 through December 2012?

**DEF:** \$72,210,688 under-recovery. (Foster)

**ISSUE 9:** What are the appropriate fuel adjustment actual/estimated true-up amounts for the period January 2013 through December 2013?

**DEF:** \$39,015,505 over-recovery. (Foster)

**ISSUE 10:** What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January 2014 to December 2014?

**DEF:** \$33,195,183 under-recovery. (Foster)

**ISSUE 11:** What are the appropriate projected total fuel and purchased power cost recovery amounts for the period January 2014 through December 2014?

**DEF:** \$1,583,009,063. (Foster)

### **COMPANY-SPECIFIC GENERATING PERFORMANCE INCENTIVE FACTOR ISSUES**

#### **Duke Energy Florida, Inc.**

No company-specific issues for Duke Energy Florida, Inc. have been identified at this time. If such issues are identified, they shall be numbered 12A, 12B, 12C, and so forth, as appropriate.

### **GENERIC GENERATING PERFORMANCE INCENTIVE FACTOR ISSUES**

**ISSUE 16:** What is the appropriate generation performance incentive factor (GPIF) reward or penalty for performance achieved during the period January 2012 through December 2012 for each investor-owned electric utility subject to the GPIF?

**DEF:** \$3,262,447 reward. (Jones)

**ISSUE 17:** What should the GPIF targets/ranges be for the period January 2014 through December 2014 for each investor-owned electric utility subject to the GPIF?

**DEF:** The appropriate targets and ranges are shown on Page 4 of Exhibit MJJ-1P filed on August 30, 2013 with the Direct Testimony of Matthew J. Jones. (Jones)

**ISSUE 18:** Should the Commission consider modification of the existing GPIF mechanism at this time?

**DEF:** DEF believes the current GPIF process and structure have and continue to encourage utilities to efficiently operate their base load plants. However, as indicated in a previous interrogatory response, DEF could support revising the method by which the maximum GPIF reward is calculated, whereby the new process sets the maximum allowed incentive dollars at 50 percent of the maximum attainable fuel savings; the reward and penalty amounts would then be calculated as a linear interpolation from maximum allowed incentive dollars, thereby preserving the symmetrical relationship between rewards and penalties.

DEF believes this revision directly ties the utility reward (penalty) to the resulting fuel savings or loss experienced by the ratepayer. (Jones)

**FUEL FACTOR CALCULATION ISSUES**

**ISSUE 19:** What are the appropriate projected net fuel and purchased power cost recovery and Generating Performance Incentive amounts to be included in the recovery factor for the period January 2014 through December 2014?

**DEF:** \$1,620,630,360. (Foster)

**ISSUE 20:** What is the appropriate revenue tax factor to be applied in calculating each investor-owned electric utility’s levelized fuel factor for the projection period January 2014 through December 2014?

**DEF:** 1.00072. (Foster)

**ISSUE 21:** What are the appropriate levelized fuel cost recovery factors for the period January 2014 through December 2014?

**DEF:** 4.303 cents per kWh (adjusted for jurisdictional losses). (Foster)

**ISSUE 22:** What are the appropriate fuel recovery line loss multipliers to be used in calculating the fuel cost recovery factors charged to each rate class/delivery voltage level class?

**DEF:**

<u>Group</u>	<u>Delivery Voltage Level</u>	<u>Line Loss Multiplier</u>
A.	Transmission	0.9800
B.	Distribution Primary	0.9900
C.	Distribution Secondary	1.0000
D.	Lighting Service	1.0000

(Foster)

**ISSUE 23:** What are the appropriate fuel cost recovery factors for each rate class/delivery voltage level class adjusted for line losses?

**DEF:**

Fuel Cost Factors (cents/kWh) GSD-1, GSDT-1, SS-1, CS-1, CST-1, CS-2, CST-2, CS-3, CST-3, SS-3, IS-1, IST-1, IS-2, IST-2, SS-2, LS-1						
Group	Delivery Voltage Level	First Tier Factor	Second Tier Factors	Levelized Factors	Time of Use	
					On-Peak	Off-Peak
A	Transmission	--	--	4.320	5.577	3.707
B	Distribution Primary	--	--	4.364	5.634	3.744
C	Distribution Secondary	--	--	4.408	5.691	3.782
D	Lighting Secondary	--	--	4.139	--	--

(Foster)

Fuel Cost Factors (cents/kWh) RS-1, RST-1, RSL-1, RSL-2, RSS-1						
Group	Delivery Voltage Level	First Tier Factor	Second Tier Factors	Levelized Factors	Time of Use	
					On-Peak	Off-Peak
C	Distribution Secondary	4.077	5.077	4.359	5.627	3.740

(Foster)

Fuel Cost Factors (cents/kWh) GS-1, GST-1, GS-2						
Group	Delivery Voltage Level	First Tier Factor	Second Tier Factors	Levelized Factors	Time of Use	
					On-Peak	Off-Peak
A	Transmission	--	--	4.277	5.522	3.670
B	Distribution Primary	--	--	4.320	5.577	3.707
C	Distribution Secondary	--	--	4.364	5.634	3.744

(Foster)

### COMPANY-SPECIFIC CAPACITY COST RECOVERY FACTOR ISSUES

**ISSUE 24:** Has DEF included in the capacity cost recovery clause, the nuclear cost recovery amount ordered by the Commission in Docket No. 130009-EI?

**DEF:** On August 5, 2013, the Commission approved DEF's Motion to Defer filed in Docket 130009-EI. The Motion to Defer provided for recovery of the requested CR3 Uprate costs filed on May 1, 2013, which have been included in the capacity cost recovery clause. For the Levy Nuclear Project, the amount is a function of the rates filed for collection as presented in Exhibit 9 of DEF's Revised and Restated Stipulation and Settlement Agreement. (Foster)

## **GENERIC CAPACITY COST RECOVERY FACTOR ISSUES**

**ISSUE 28:** What are the appropriate capacity cost recovery true-up amounts for the period January 2012 through December 2012?

**DEF:** \$9,768,250 under-recovery. (Foster)

**ISSUE 29:** What are the appropriate capacity cost recovery actual/estimated true-up amounts for the period January 2013 through December 2013?

**DEF:** \$14,592,001 under-recovery. (Foster)

**ISSUE 30:** What are the appropriate total capacity cost recovery true-up amounts to be collected/refunded during the period January 2014 through December 2014?

**DEF:** \$24,360,251 under-recovery. (Foster)

**ISSUE 31:** What are the appropriate projected total capacity cost recovery amounts for the period January 2014 through December 2014?

**DEF:** \$317,169,968. (Foster)

**ISSUE 32:** What are the appropriate projected net purchased power capacity cost recovery amounts to be included in the recovery factor for the period January 2014 through December 2014?

**DEF:** The appropriate projected net purchased power capacity cost recovery amount, excluding nuclear cost recovery, is \$341,776,120. The appropriate nuclear cost recovery amount is that which is approved in Issue 24. (Foster)

**ISSUE 33:** What are the appropriate jurisdictional separation factors for capacity revenues and costs to be included in the recovery factor for the period January 2014 through December 2014?

**DEF:** Base – 92.885%, Intermediate – 72.703%, Peaking – 95.924%, consistent with Exhibit 1 in the Stipulation and Settlement Agreement approved in Order No. PSC-12-0104-FOF-EI. (Foster)

**ISSUE 34:** What are the appropriate capacity cost recovery factors for the period January 2014 through December 2014?

**DEF:**

<u>Rate Class</u>	<u>CCR Factor</u>
Residential	1.644 cents/kWh
General Service Non-Demand	1.303 cents/kWh
@ Primary Voltage	1.290 cents/kWh
@ Transmission Voltage	1.277 cents/kWh
General Service 100% Load Factor	0.897 cents/kWh
General Service Demand	4.26 \$/kW-month
@ Primary Voltage	4.22 \$/kW-month
@ Transmission Voltage	4.17 \$/kW-month
Curtailable	3.13 \$/kW-month
@ Primary Voltage	3.10 \$/kW-month
@ Transmission Voltage	3.07 \$/kW-month
Interruptible	3.61 \$/kW-month
@ Primary Voltage	3.57 \$/kW-month
@ Transmission Voltage	3.54 \$/kW-month
Standby Monthly	0.418 \$/kW-month
@ Primary Voltage	0.414 \$/kW-month
@ Transmission Voltage	0.410 \$/kW-month
Standby Daily	0.199 \$/kW-month
@ Primary Voltage	0.197 \$/kW-month
@ Transmission Voltage	0.195 \$/kW-month
Lighting	0.239 cents/kWh

(Foster)

**EFFECTIVE DATE**

**ISSUE 35:** What should be the effective date of the fuel adjustment charge and capacity cost recovery charge for billing purposes?

**DEF:** The new factors should be effective beginning with the first billing cycle for January 2014 through the last billing cycle for December 2014. The first billing cycle may start before January 1, 2014, and the last billing cycle may end after December 31, 2014, so long as each customer is billed for twelve months regardless of when the factors became effective. (Foster)

**ISSUE 36:** Should this Docket be closed?

**DEF:** Yes.

G. Stipulated Issues

The Revised and Restated Stipulation and Settlement Agreement, currently pending Commission approval in Docket No. 130208-EI, contains provisions that are pertinent to this docket.

H. Pending Motions

DEF has no pending motions at this time.

I. Requests for Confidentiality

DEF has the following pending requests for confidential classification:

- December 24, 2008 – 423 Forms for October 2008
- April 22, 2010 – 423 Forms for March 2010
- May 24, 2010 – 423 Forms for April 2010
- June 30, 2010 – 423 Forms for May 2010
- August 10, 2010 – 423 Forms for June 2010
- September 1, 2010 – 423 Forms for July 2010
- October 5, 2010 – 423 Forms for August 2010
- August 1, 2011 – Exhibit MO-1 (Schedule E12-B, Page 2 of 2) to the direct testimony of Marcia Olivier & portions of the 2012 Risk Management Plan (Exhibit JM-1P)
- September 1, 2011 - Exhibit MO-2 to the projection testimony of Marcia Olivier
- November 7, 2011 - 423 Forms for September 2011
- December 8, 2011 – 423 Forms for October 2011
- August 13, 2012 – 423 Forms for June 2012
- August 31, 2012 – Exhibit MO-2 to projection testimony of Marcia Olivier & Pgs 4-6 to testimony of Joseph McCallister
- January 31, 2013 – 423 Forms for November 2012
- March 1, 2013 – Portions of Exhibit TGF-3T (Schedule A12)
- March 6, 2013 – Information provided in response to Staff's Second Set of Interrogatories and First Request for Production of Documents
- March 7, 2013 – 423 Forms for December 2012
- April 5, 2013 – Certain information provided in April 5, 2013 Direct Testimony of Joseph McCallister and Exhibit JM-1T
- May 31, 2013 – 423 Forms for April 2013
- June 26, 2013 – 423 Forms for May 2013
- August 2, 2013 – 423 Forms for June 2013
- August 2, 2013 – Information contained in Exhibit TGF-2 to August 2, 2013 direct testimony of Thomas G. Foster and Information contained in 2014 Risk Management Plans, including exhibits A-L
- August 16, 2013 – Information provided in Fuel Hedging Report from January through July, 2013
- August 30, 2013 – Information provided in Exhibit TGF-3 to August 30, 2013

projection testimony of Thomas G. Foster, certain information contained in August 30, 2013 testimony of Joseph McCallister

- September 3, 2013 – 423 Forms for July 2013

J. Requirements of Order

DEF believes that this prehearing statement complies with all the requirements of the Order Establishing Procedure.

K. 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.

RESPECTFULLY SUBMITTED this 7<sup>th</sup> day of October, 2013.

By: /s/ Dianne M. Triplett \_\_\_\_\_

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**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true and correct copy of Duke Energy Florida, Inc.'s Prehearing Statement has been furnished via electronic mail this 7<sup>th</sup> day of October, 2013 to all parties of record as indicated below.

/s/ Dianne M. Triplett

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