

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

In re: Environmental Cost Recovery Clause | Docket No. 20190007-EI

Filed: October 11, 2019

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

Duke Energy Florida, LLC (“DEF”), pursuant to the Order Establishing Procedure in this proceeding, Order No. PSC-2019-0072-PCO-EI dated February 25, 2019, hereby submits its Prehearing Statement:

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

| <b>Witness</b>       | <b>Subject Matter</b>   | <b>Issues#</b> |
|----------------------|---|----------------|
| Christopher Menendez | Final True-Up; Estimated True-up; Environmental Compliance Cost Projections and Final 2019 ECRC Factors   | 1-13           |
| Timothy Hill         | Final and Estimated True-Up variances and Environmental Compliance Cost Projections   | 1-3, 11        |
| Jeffrey Swartz       | Final and Estimated True-Up variances and Environmental Compliance Cost Projections   | 1-3            |
| Kim Spence McDaniel  | Final and Estimated True-Up variances and Environmental Compliance Cost Projections, Review of DEF’s Integrated Clean Air Compliance Plan and 316(b) Compliance Project | 1-3            |

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

| <b>Witness</b>       | <b>Proffered By</b> | <b>Exhibit #</b> | <b>Description</b>                                    |
|----------------------|---------------------|------------------|---|
|                      |                     | <b>Direct</b>    |   |
| Christopher Menendez | DEF                 | CAM-1            | Forms 42-1A - 42-9A January 2018 – December 2018      |
| Christopher Menendez | DEF                 | CAM-2            | Capital Program Detail January 2018– December 2018    |
| Christopher Menendez | DEF                 | CAM-3            | Forms 42-1E – 42-9E January 2019– December 2019       |
| Christopher Menendez | DEF                 | CAM-4            | Capital Program Detail January 2019 – December 2019   |
| Christopher Menendez | DEF                 | CAM-5            | Forms 42-1P – 42-8P January 2020– December 2020       |
| Christopher Menendez | DEF                 | CAM-6            | Capital Program Detail January 2020 – December 2020   |
| Timothy Hill         | DEF                 | CAM-5            | Form 42-5P, page 23 of 23                             |
| Jeffrey Swartz       | DEF                 | JS-1             | Crystal River Clean Air Projects Organizational Chart |
| Jeffrey Swartz       | DEF                 | CAM-5            | Form 42-5P, pages 7, 21 and 22 of 23                  |
| Kim Spence McDaniel  | DEF                 | KSM-1            | Review of Integrated Clean Air Compliance Plan        |
| Kim Spence McDaniel  | DEF                 | CAM-5            | Form 42-5P, pages 1-4 and 6-20 of 23                  |

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

3. **Statement of Basic Position** - DEF's positions to specific issues are listed below.
4. **Statement of Facts**

### **ISSUES**

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

**ISSUE 1:** What are the final environmental cost recovery true-up amounts for the period January 2018 through December 2018?

**DEF:** \$1,988,942. (Menendez, Hill, Swartz, McDaniel)

**ISSUE 2:** What are the actual/estimated environmental cost recovery true-up amounts for the period January 2019 through December 2019?

**DEF:** \$16,666,006. (Menendez, Hill, Swartz, McDaniel)

**ISSUE 3:** What are the projected environmental cost recovery amounts for the period January 2020 through December 2020?

**DEF:** \$49,255,523. (Menendez, Hill, Swartz, McDaniel)

**ISSUE 4:** What are the environmental cost recovery amounts, including true-up amounts, for the period January 2020 through December 2020?

**DEF:** \$30,622,607. (Menendez)

**ISSUE 5:** What depreciation rates should be used to develop the depreciation expense included in the total environmental cost recovery amounts for the period January 2020 through December 2020?

**DEF:** The depreciation rates used to calculate depreciation expense should be the rates that are in effect during the period the allowed capital investment is in service. (Menendez)

**ISSUE 6:** What are the appropriate jurisdictional separation factors for the projected period January 2020 through December 2020?

**DEF:** The Energy separation factor is calculated for each month based on retail kWh sales as a percentage of projected total kWh sales. The remaining separation factors are below and are consistent with DEF’s 2017 Second Revised and Restated Stipulation and Settlement Agreement (“2017 Agreement”) approved in Order No. PSC-2017-0451-AS-EU.

Transmission Average 12 CP Demand – 70.203%  
 Distribution Primary Demand – 99.561%

Production Demand:  
 Production Base – 92.885%  
 Production Intermediate – 72.703%  
 Production Peaking – 95.924%  
 Production A&G – 93.221%  
 (Menendez)

**ISSUE 7:** What are the appropriate environmental cost recovery factors for the period January 2020 through December 2020 for each rate group?

**DEF:** The appropriate recovery factors are as follows: (Menendez)

| RATE CLASS   | ECRC FACTORS  |
|--|---|
| Residential  | 0.079 cents/kWh   |
| General Service Non-Demand<br><br>@ Secondary Voltage<br><br>@ Primary Voltage<br><br>@ Transmission Voltage | 0.079 cents/kWh<br><br>0.078 cents/kWh<br><br>0.077 cents/kWh |
| General Service 100% Load Factor   | 0.075 cents/kWh   |
| General Service Demand<br><br>@ Secondary Voltage<br><br>@ Primary Voltage<br><br>@ Transmission Voltage     | 0.076 cents/kWh<br><br>0.075 cents/kWh<br><br>0.074 cents/kWh |

|   |   |
|---|---|
| Curtaillable<br>@ Secondary Voltage<br>@ Primary Voltage<br>@ Transmission Voltage  | 0.072 cents/kWh<br>0.071 cents/kWh<br>0.071 cents/kWh |
| Interruptible<br>@ Secondary Voltage<br>@ Primary Voltage<br>@ Transmission Voltage | 0.073 cents/kWh<br>0.072 cents/kWh<br>0.072 cents/kWh |
| Lighting  | 0.070 cents/kWh                                       |

**ISSUE 8:** What should be the effective date of the new environmental cost recovery factors for billing purposes?

**DEF:** The factors should be effective beginning with the specified environmental cost recovery cycle and thereafter for the period January 2020 through December 2020. Billing cycles may start before January 1, 2020 and the last cycle may read after December 31, 2020, so that each customer is billed for twelve months regardless of when the adjustment factor became effective. These charges will continue in effect until modified by the Commission. (Menendez)

**ISSUE 9:** Should the Commission approve revised tariffs reflecting the environmental cost recovery amounts and environmental cost recovery factors determined to be appropriate in this proceeding?

**DEF:** Yes. (Menendez)

**ISSUE 10:** Should this docket be closed?

**DEF:** Yes.

## COMPANY SPECIFIC ISSUES

### **Duke Energy Florida**

**ISSUE 11:** Should the Commission approve DEF’s Crystal River Coal Combustion Residual Ash Landfill Project for cost recovery through the Environmental Cost Recovery Clause?

**DEF:** Yes. In Order Nos. PSC-2015-0536-FOF-EI and PSC-2018-0594-FOF-EI, the Commission found that DEF’s Coal Combustion Residual (“CCR”) Program (Project 18) met the criteria for recovery through the Environmental Cost Recovery Clause. DEF’s CCR Ash Landfill project meets the criteria for recovery through the Environmental Cost Recovery Clause. (Hill, Menendez)

**ISSUE 12:** How should any approved Environmental Cost Recovery Clause costs associated with DEF’s Crystal River CCR Ash Landfill Project be allocated to the rate classes?

**DEF:** Consistent with Order No. PSC-2015-0536-FOF-EI which approved the cost allocation methodology for DEF’s CCR Program, Capital costs for the CCR Ash Landfill Project should be allocated to the rate classes on a demand basis; O&M costs should be allocated to the rate classes on an energy basis. (Menendez)

**ISSUE 13:** Should the Commission approve DEF’s proposed treatment for the ECRC assets associated with the retirement of Avon Park and Higgins, as proposed in DEF’s 2020 Projection Filing?

**DEF:** Yes. DEF’s proposed treatment for the Avon Park and Higgins assets is consistent with prior Commission Order Nos PSC-2011-0553-FOF-EI, PSC-2013-0381-PAA-EI and PSC-2016-0535-FOF-EI. (Menendez)

### **Gulf Power Company**

**ISSUE 14:** Should the Commission approve the 2020 expenditures for Gulf’s ownership portion of the Plant Daniel CCR projects for recovery through the Environmental Cost Recovery Clause?

**DEF:** No position.

**ISSUE 15:** Should the Commission approve Gulf’s Crist Closed Ash Landfill Project for cost recovery through the Environmental Cost Recovery Clause?

**DEF:** No position.

**ISSUE 16:** How should any approved Environmental Cost Recovery Clause costs associated with Gulf’s Crist Closed Ash Landfill Project be allocated to the rate classes?

**DEF:** No position.

**MOTION**

**ISSUE 17:** Should the Joint Motion to Modify Order No. PSC-2012-0425-PAA-EU Regarding Weighted Average Cost of Capital Methodology be approved?

**DEF:** Yes. (Menendez)

5. **Stipulated Issues** – DEF has no stipulated issues at this time.
6. **Pending Motions** - DEF does not have any pending motions at this time.
7. **Requests for Confidentiality** - DEF has no request for confidentiality pending at this time.
8. **Objections to Qualifications** - DEF has no objections to the qualifications of any expert witnesses in this proceeding at this time.
9. **Sequestration of Witnesses** - DEF has not identified any witnesses for sequestration at this time.
10. **Requirements of Order** - At this time, DEF is unaware of any requirements of the Order Establishing Procedure of which it will be unable to comply.

Respectfully submitted this 11<sup>th</sup> day of October, 2019.

*s/Matthew R. Bernier*

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**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished via electronic mail to the following this 11<sup>th</sup> day of October, 2019.

s/Matthew R. Bernier

Attorney

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