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January 23, 2013

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Ms. Ann Cole, Director
Division of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

130024-E1

Re: Tampa Electric Company's Petition for Expedited Approval of Asset Optimization Incentive Mechanism

Dear Ms. Cole:

Enclosed for filing in the above-styled matter are the original and fifteen (15) copies of Tampa Electric Company's Petition for Expedited Approval of Asset Optimization Incentive Mechanism.

Please acknowledge receipt and filing of the above by stamping the duplicate copy of this letter and returning same to this writer.

Thank you for your assistance in connection with this matter.

Sincerely,

James D. Beasley

JDB/pp
Enclosure

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FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Tampa Electric Company's Petition)
for Expedited Approval of Asset)
Optimization Incentive Mechanism.)
_____)

DOCKET NO. 130024-E1

FILED: January 23, 2013

**TAMPA ELECTRIC COMPANY'S PETITION FOR
EXPEDITED APPROVAL OF ASSET OPTIMIZATION INCENTIVE MECHANISM**

Pursuant to Section 366.04, Florida Statutes, Tampa Electric Company ("Tampa Electric" or "the company") petitions the Florida Public Service Commission ("Commission") for expedited approval of the company's Proposed Asset Optimization Incentive Mechanism (the "Incentive Mechanism") and, in support thereof, says:

1. The Petitioner's name and address are:

Tampa Electric Company
P. O. Box 111
Tampa, FL 33601

2. The names and addresses of Tampa Electric's representatives to receive communications regarding this docket are:

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Regulatory Coordination
Tampa Electric Company
Post Office Box 111
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3. Tampa Electric is a Commission regulated investor-owned electric utility with its principal offices located at 702 North Franklin Street, Tampa, FL 33602.

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

4. Customers of Tampa Electric derive value from the company engaging in both wholesale power purchases and sales from generation assets of the company, as well as all forms of asset optimization. Tampa Electric routinely avails itself of market opportunities to engage in these activities for the benefit of its customers. Notwithstanding those efforts, there may be the potential to increase revenues derived from asset optimization to create additional value for Tampa Electric's customers.
5. In 2000, the Commission approved a shareholder incentive applicable to gains from investor-owned electric utility non-separated wholesale power sales, firm and non-firm, excluding emergency sales, made under current or future FERC-approved schedules.¹ The Commission adopted a threshold mechanism in connection with this incentive, based on a three year moving average of gains on such sales.
6. The incentive mechanism approved in 2000 has produced limited benefits to Tampa Electric's customers, owing to the high thresholds set for the sales that were the subject of the incentive. Tampa Electric has only been able to exceed the sales thresholds in three of the 12 years this mechanism has operated. Had Tampa Electric met the threshold in each of the 12 years, its customers would have benefitted more.
7. In order to create such additional value for customers through realistic and achievable incentive goals, Tampa Electric seeks the Commission's approval of the following Incentive Mechanism, effective on the earliest possible date. The Commission recognized the beneficial nature of incentives like the Incentive Mechanism proposed here in its December 13, 2012 decision in Docket No. 120015-EI. The Incentive Mechanism proposed below is very similar to the one just approved for FPL with the

¹ Order No. PSC-00-1744-PAA-EI, issued September 26, 2000 in Docket No. 991779-EI.

exception of revisions that were made to the threshold amounts to reflect the different sizes of FPL and Tampa Electric.

8. (a) In order to create additional value for customers, Tampa Electric proposes that its Incentive Mechanism operate as follows:

(i) Tampa Electric will file each year as part of its fuel cost recovery clause ("Fuel Clause") final true-up filing a schedule showing its gains in the prior calendar year on short-term wholesale sales, short-term wholesale purchases (including purchases that are reported on Schedule A-7), and all forms of asset optimization that it undertook in that year (the "Total Gains Schedule").² Tampa Electric's final true-up filing will include a description of each asset optimization measure for which gain is included on the Total Gains Schedule for the prior year, and such measures shall be subject to review by the Commission to confirm that they are eligible for inclusion in the Incentive Mechanism. The revenues from the Incentive Mechanism will be accounted for in the same manner as for the Generating Performance Incentive Factor.

(ii) For the purposes of the Incentive Mechanism, "asset optimization" includes but is not limited to:

- Gas storage utilization Tampa Electric could release contracted storage space or sell stored gas during non-critical demand seasons;
- Delivered city-gate gas sales using existing transport Tampa Electric could sell gas to Florida customers, using Tampa Electric's

² For the purpose of this Agreement "short-term" is intended to refer to non-separated wholesale sales and purchases. Order No. PSC-97-0262-FOF-EI defined "non-separated" sales as "sales that are non-firm or less than one year in duration."

existing gas transportation capacity during periods when it is not needed to serve Tampa Electric's native electric load;

- Production (upstream) area sales Tampa Electric could sell gas in the gas-production areas, using Tampa Electric's existing gas transportation capacity during periods when it is not needed to serve Tampa Electric's native electric load;
- Capacity Release of gas transport and electric transmission Tampa Electric could sell temporarily available gas transportation and/or electric transmission capacity for short periods when it is not needed to serve Tampa Electric's native electric load;
- Asset Management Agreement ("AMA") Tampa Electric could outsource optimization functions such as those described above to a third party through assignment of transportation and/or storage rights in exchange for a premium to be paid to Tampa Electric.
- Solid Fuel purchasing, transportation and storage optimization Tampa Electric could achieve gains from optimizing activities relating to solid fuel (coal and petroleum coke) purchases, transportation and storage similar to those described above relative to gas purchases, transportation and storage.

(iii) On an annual basis, Tampa Electric customers will receive 100% of the gain described in Paragraph 8(i), up to a threshold of \$6.5 million ("Customer Savings Threshold"). The \$6.5 million represents the savings achieved by Tampa Electric over the last four years in short-term economic sales and purchases

rounded up to the nearest half million dollar amount. Tampa Electric believes the previous four years are more representative of prospective savings since they do not include short-term purchases associated with the extended outages related to environmental work on its coal units prior to 2009. In addition, Tampa Electric customers will receive 100% of the gain described in Paragraph 8(i) for the first \$2.5 million above the Customer Savings Threshold ("Additional Customer Savings"). Incremental gains above the total of the Customer Savings Threshold and the Additional Customer Savings (i.e., above a gain of \$9 million) will be shared between Tampa Electric and customers as follows: Tampa Electric will retain 60% and customers will receive 40% of incremental gains between \$9 million and \$20 million; and Tampa Electric will retain 50% and customers will receive 50% of all incremental gains in excess of \$20 million. The customers' portion of all gains will be reflected as a reduction to fuel costs recovered through the Fuel Clause. Tampa Electric agrees that it will not require any native load customer to be interrupted in order to initiate or maintain an economy sale, whether that sale is firm or non-firm.

(b) Tampa Electric will be entitled to recover through the Fuel Clause the following types of reasonable and prudent incremental O&M costs incurred in implementing its expanded short-term wholesale purchases and sales programs as well as the asset optimization measures (the "Incremental Optimization Costs"):

(i) Incremental personnel, software and associated hardware costs incurred by Tampa Electric to manage the expanded short-term wholesale purchases and sales programs and the asset optimization measures; and

(ii) Variable power plant O&M costs³ incurred by Tampa Electric to generate additional output in order to make wholesale sales, to the extent that the level of such sales exceed 150,000 MWh (i.e., the level of sales assumed for the purpose of forecasting the 2013 fuel filing and associated power plant O&M costs), with such costs determined by multiplying the sales above that threshold times the monthly weighted average variable power plant O&M cost updated annually.

Tampa Electric's final true-up filing will separately state and describe the Incremental Optimization Costs that it incurred in the prior year, and such costs shall be subject to review and approval by the Commission.

(c) On or after December 31, 2014, the Commission may review and, if continuing the Incentive Mechanism is deemed not to be in the public interest, terminate the Incentive Mechanism thereafter.

9. The Commission has already approved essentially an identical mechanism for FPL and this proposed Incentive Mechanism is needed as soon as it can be approved in 2013 to ensure that the maximum amount of incentive revenues can be captured and shared with Tampa Electric ratepayers.
10. Accordingly, Tampa Electric respectfully requests that the Commission take this matter up on an expedited basis and approve the requested Incentive Mechanism effective at the earliest possible date. The benefits of the Incentive Mechanism the company is proposing and the regulatory policy considerations supporting it were fully examined and recognized in the Commission's recent consideration of the similar incentive mechanism approved in Docket No. 120015-EI. Approval of Tampa Electric's proposed Incentive

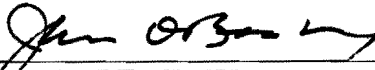
³ For the purpose of this Agreement, "variable power plant O&M costs" includes non-fuel O&M expenses and costs for capital replacement parts that vary as a function of a power plant's output.

Mechanism on an expedited basis will insure that the company's customers achieve the benefits of all available forms of asset optimization at the earliest possible date.

WHEREFORE, Tampa Electric requests that the Commission enter its order approving the Incentive Mechanism outlined in this Petition as a means of achieving the ratepayer benefits that this proposed Asset Optimization Incentive Mechanism can provide.

DATED this 23rd day of January, 2013.

Respectfully submitted,



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Tallahassee, Florida 32302
(850) 224-9115

ATTORNEYS FOR TAMPA ELECTRIC COMPANY