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June 30, 2016

VIA: ELECTRONIC FILING

Ms. Carlotta S. Stauffer
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Tampa Electric Company's Petition for Approval of Energy Transaction
Optimization Mechanism

Dear Ms. Stauffer:

Attached for filing in the above-styled matter is Tampa Electric Company's Petition for
Approval of Energy Transaction Optimization Mechanism.

Thank you for your assistance in connection with this matter.

Sincerely,


James D. Beasley

JDB/pp
Attachment

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Tampa Electric Company's Petition)
for Approval of Energy Transaction)
Optimization Mechanism,)
_____)

DOCKET NO. _____

FILED: June 30, 2016

**TAMPA ELECTRIC COMPANY'S PETITION FOR
APPROVAL OF ENERGY TRANSACTION OPTIMIZATION MECHANISM**

Pursuant to Section 366.04, Florida Statutes, Tampa Electric Company ("Tampa Electric" or "the company") petitions the Florida Public Service Commission ("Commission") for approval of the company's Proposed Energy Transaction Optimization Mechanism (the "Optimization 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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3. Tampa Electric is a Commission regulated investor-owned electric utility with its principal offices located at 702 North Franklin Street, Tampa, FL 33602.

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. However, the existing wholesale sales incentive mechanism limits the amount of benefits that the company may be able to generate for its customers that would be available under an energy transaction optimization mechanism. 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. As explained in more detail below, the Optimization Mechanism is a four-year pilot program designed to allow Tampa Electric to retain a portion of gains that its wholesale power transactions and asset optimization activities generate for Tampa Electric customers, once those gains exceed a prescribed threshold. The Optimization Mechanism will operate as an inducement for Tampa Electric to maximize gains, to the mutual benefit of customers and the company. Tampa Electric is not requesting cost recovery of incremental expenses to implement the proposed Optimization Mechanism under this Petition.

Background

6. 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.

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

7. While the incentive mechanism approved in 2000 has produced benefits to Tampa Electric's customers, the rolling three-year moving average used to set thresholds results in a disincentive to pursue opportunities if the likelihood of achieving the threshold in a given year is remote. Tampa Electric has only been able to exceed the sales thresholds in four of the fifteen years this mechanism has operated. Had Tampa Electric been operating under its proposed optimization mechanism, its customers would have received greater benefits.
8. In order to create such additional value for customers through realistic and achievable goals, Tampa Electric seeks the Commission's approval of the following Optimization Mechanism, effective on January 1, 2017. The Commission recognized the beneficial nature of incentives like the Optimization Mechanism proposed here in its December 13, 2012 decision in Docket No. 120015-EI. The Optimization Mechanism proposed below is very similar to the one approved for FPL as part of its 2012 rate case settlement agreement. FPL has recently petitioned the Commission to modify that pilot incentive mechanism and extend it for four years.² The actual results of FPL's pilot demonstrate the benefits of a more robust incentive mechanism. Tampa Electric's proposed Optimization Mechanism differs from FPL's in that it does not include cost recovery of incremental positions and software costs and has different threshold amounts to reflect the different sizes and systems of FPL and Tampa Electric.
9. In Docket No. 130024-EI, Tampa Electric previously petitioned the Commission for an expanded incentive mechanism similar to FPL's current program. The company withdrew that petition in late 2013. Tampa Electric's proposed Optimization Mechanism

² Docket No. 160088-EI

in the instant docket differs from that requested in Docket No. 130024 in that it contains the following:

- updated thresholds based on actual economy sales and purchases for the last four years; and
- no cost recovery for the aforementioned incremental costs to implement the proposed Optimization Mechanism.

Proposed Optimization Mechanism

10. (a) In order to create additional value for customers, Tampa Electric proposes that its Optimization 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, and all forms of asset optimization that it undertook in that year (the "Total Gains Schedule").³ Tampa Electric's final true-up filing will include a description of each asset optimization measure for which gains are 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 Optimization Mechanism. The customers' portion of total gains will be shown as a reduction to the fuel costs that are recovered through the Fuel Clause factors. Tampa Electric will recover its portion of total gains through adjustments to its Fuel Clause factors that are made in the normal course of calculating those factors and that

³ For the purpose of this proposal, "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."

flow through to all rate classes in the same manner as other costs recovered through the factors.

(ii) For the purposes of the Optimization 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 gas sales using existing transport Tampa Electric could sell gas to Florida customers, using Tampa Electric's 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 Tampa Electric could sell temporarily available gas transportation 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 to a third party through assignment of power, transportation and/or storage rights in exchange for a premium to be paid to Tampa Electric.

(iii) On an annual basis, Tampa Electric customers will receive 100% of the gain described in Paragraph 10(a)(i), up to a threshold of \$3.5 million ("Customer Savings Threshold"). The \$3.5 million threshold 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, as shown in Exhibit A. Tampa Electric believes amounts achieved during the previous four years are representative of prospective savings. If the Commission approves the Optimization Mechanism proposed in this petition, Tampa Electric commits to add the personnel, software and associated hardware needed to manage the expanded short-term wholesale purchases and sales programs and the asset optimization measures. However, Tampa Electric will not seek to recover those incremental costs through the Fuel Clause. In light of this factor, Tampa Electric has not included an "Additional Customer Savings" amount to the threshold below which customers receive 100% of the gain described in Paragraph 10(a)(i). Incremental gains above the Customer Savings Threshold (i.e., above a gain of \$3.5 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 \$3.5 million and \$7 million; and Tampa Electric will retain 50% and customers will receive 50% of all incremental gains in excess of \$7 million. Tampa Electric agrees that it will not require any native load customer to be interrupted in order to initiate or maintain an economy sale.

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.

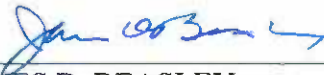
- (b) On or after December 31, 2020, the Commission may review and, if continuing the Optimization Mechanism is deemed not to be in the public interest, terminate the Optimization Mechanism thereafter.
11. The Commission has already approved essentially an identical mechanism for FPL and this proposed Optimization Mechanism is needed to increase the amount of revenues that can be captured and shared with Tampa Electric ratepayers.
 12. The proposed Optimization Mechanism can provide significant incremental benefits to Tampa Electric's customers. As stated in FPL's petition to modify and extend its incentive mechanism, over the first three years of its similar incentive mechanism, FPL customers received gains, net of incremental O&M expenses, that reduced their fuel cost recovery factors by more than \$124 million while paying incentives to FPL that represented a little less than 10% of total gains. These same benefits can flow to Tampa Electric's customers under the proposed Optimization Mechanism, although in a smaller amount given the size differences of the two companies.
 13. FPL's petition also states that, looking only at the added value that FPL has generated from the natural gas transportation, storage and trading optimization activities that are incented under the incentive mechanism, the 2013 – 2015 gains have averaged more than \$7 million per year higher than they would have been under the standard sharing mechanism. Proportionately similar benefits could flow to Tampa Electric's customers if its proposed Optimization Mechanism is approved.
 14. Accordingly, Tampa Electric respectfully requests that the Commission approve the requested Optimization Mechanism effective January 1, 2017. The benefits of the Optimization 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 Optimization Mechanism will ensure that the company's customers achieve the benefits of all available forms of asset optimization over the next four years, with the option to reevaluate the program after such period.

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

DATED this 30th day of June, 2016.

Respectfully submitted,



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ATTORNEYS FOR TAMPA ELECTRIC COMPANY

Exhibit A

Customer Savings Threshold

The customer Savings Threshold is calculated as the average of the actual savings and gains on wholesale purchases and sales achieved over the last four years, rounded up to the next half million dollars. The following table demonstrates the calculation.

Customer Savings Threshold			
	Fuel Savings Purchases (A9) (1)	Gains on Economy Sales (A6) (2)	Savings/Gains on Short-Term Sales and Purchases (3) = (1) + (2)
2012	1,128,937	246,932	1,375,869
2013	2,065,823	894,045	2,959,868
2014	3,870,139	3,298,967	7,169,106
2015	1,656,918	496,810	2,153,728
Total			\$ 13,658,571
Average Annual Savings/Gains			\$ 3,414,643
Customer Savings Threshold			\$ 3,500,000