

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: October 20, 2016

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Economics (Guffey) *SKG EJD PD GS*
Office of the General Counsel (Brownless) *mmjca*

RE: Docket No. 160204-EI – Petition for approval of tariff changes to implement approved generation base rate adjustment, by Tampa Electric Company.

AGENDA: 11/01/16 – Regular Agenda – Tariff Filing - Participation is at the discretion of the Commission

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: Pursuant to Order No. PSC-13-0443-FOF-EI the tariff is effective with the first billing cycle of January 2017 or the in-service date of the Polk Conversion Project, whichever is later

SPECIAL INSTRUCTIONS: None

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Case Background

On September 7, 2016, Tampa Electric Company (Tampa Electric or company) filed a petition for approval of tariff changes to implement a previously approved step increase. This step increase was approved in Order No. PSC-13-0443-FOF-EI, in which the Commission approved a stipulation and settlement agreement in Tampa Electric's 2013 rate case (Settlement Order).¹ The Settlement Order provides a phased-in approach to the rate increase: a \$57.5 million increase effective November 2013, a \$7.5 million increase effective November 2014, and a \$5 million increase effective November 2015. The final increase approved in the Settlement Order is the

¹ Order No. PSC-13-0443-FOF-EI, issued September 30, 2013, in Docket No. 130040-EI, *In re: Petition for rate increase by Tampa Electric Company*.

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Polk Generation Base Rate Adjustment (Polk GBRA) of an additional \$110 million of annual revenues. Pursuant to the settlement agreement, the Polk GBRA is effective with the first billing cycle of January 2017 or the commercial in-service date of the Polk Conversion Project, whichever is later.

Section 366.05(1)(e), Florida Statutes, (F.S.) states that new tariffs and changes to an existing tariff, other than an administrative change that does not substantially change the meaning or operation of the tariff, must be approved by the majority vote of the Commission, except as otherwise specifically provided by law. Staff's recommendation addresses Tampa Electric's proposed tariffs to implement the \$110 million Polk GBRA rate increase. The Commission has jurisdiction over this matter pursuant to Chapter 366.04, 366.05, and 366.06, F.S.

Discussion of Issues

Issue 1: Should the Commission approve Tampa Electric's tariff changes to implement the Polk GBRA increase approved in the Settlement Order?

Recommendation: Yes, the Commission should approve Tampa Electric's tariff changes to implement the Polk GBRA increase approved in the Settlement Order. Pursuant to the Settlement Order, the Polk GBRA rate changes should become effective with the first billing cycle of January 2017, or the commercial in-service date of the Polk Conversion Project, whichever is later. Tampa Electric should notify its customers of the approved new rates in the December 2016 bills. (Guffey)

Staff Analysis: Tampa Electric's petition includes the proposed tariff sheets, the allocation of the revenue increase to the various rate classes, calculations showing the revenue from the sale of electricity by rate schedule under current and proposed rates, and a comparison of monthly bills for the major rate classes. A residential customer who uses 1,000 kilowatt-hours (kWh) per month will see an increase of \$6.68 on the base rate portion of the monthly bill as a result of the Polk GBRA increase. However, the company also proposed in the cost recovery clause dockets a decrease in the fuel, capacity, and environmental charges which, if approved, would result in an overall decrease in residential customer bills of \$1.54 per month in 2017.²

Pursuant to the settlement, the Polk GBRA is allocated to all rate classes based on each class's percentage of total base revenues calculated using the base rates in effect on December 1, 2016, and the company's projected 2017 billing determinants consistent with the company's clause filing for 2017. The class revenue increases are then allocated to all base rates and credits at an equal percentage (10.8 percent). Attachment A to this recommendation shows current and proposed base rates for major rate classes.

Tampa Electric states that, at this time, the Polk Conversion project is still under construction with a planned in-service date of January 16, 2017; however, this in-service date is not certain. Tampa Electric will notify staff of the commercial in-service date of the Polk Conversion project.

Staff has reviewed Tampa Electric's proposed tariff sheets and supporting documentation. The calculations are correct and reflect the Settlement Order. The Commission should approve Tampa Electric's tariff rate changes to implement the step increase approved in the Settlement Order. Pursuant to the Settlement Order, the rate changes should become effective with the first billing cycle of January 2017 or the in-service date of the Polk Conversion Project, whichever is later. Tampa Electric should notify its customers of the approved new rates in the December bills.

² The current 1,000 kwh residential bill is \$106.22 and under Tampa Electric's proposal in this docket and the clause dockets, it will decrease to \$104.68 or by \$1.54 in 2017.

Issue 2: Should this docket be closed?

Recommendation: Yes, if the Commission approves Issue I, this docket should be closed.
(Brownless)

Staff Analysis: If the Commission approves Issue 1, this docket should be closed.

Present and Proposed Rates for Major Rate Classes

| Rate Class | Charge | Current Rate | Proposed Rate |
|---|---|---------------------|----------------------|
| Residential Service | Basic Service Charge | \$15.00 | \$16.62 |
| | Energy Charge (1 st 1,000 kwh) | 4.694 ¢/kwh | 5.200 ¢/kwh |
| | Energy Charge (above 1,000 kwh) | 5.694 ¢/kwh | 6.308 ¢/kwh |
| General Service – Non Demand | Basic Service Charge | \$18.00 | \$19.94 |
| | Energy Charge | 5.009 ¢/kwh | 5.549 ¢/kwh |
| General Service – Demand | Basic Service Charge | \$30.00 | \$33.24 |
| | Energy Charge | 1.583 ¢/kwh | 1.754 ¢/kwh |
| | Demand Charge | 9.25 \$/kw | 10.25 \$/kw |
| Interruptible Service (closed to new businesses as of 5/7/2009) | Basic Service Charge | \$622.00 | \$689.11 |
| | Energy Charge | 2.504 ¢/kwh | 2.774 ¢/kwh |
| | Demand Charge | 1.45 \$/kw | 1.61 \$/kw |

Source: TECO revised tariff sheets 6.030, 6.050, 6.080, 6.085, 6.806