

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for recovery of costs associated with named tropical systems during the 2015, 2016, and 2017 hurricane seasons and replenishment of storm reserve subject to final true-up, Tampa Electric Company.

DOCKET NO. 20170271-EI
ORDER NO. PSC-2018-0125-PCO-EI
ISSUED: March 7, 2018

The following Commissioners participated in the disposition of this matter:

JULIE I. BROWN
DONALD J. POLMANN
ANDREW GILES FAY

ORDER APPROVING INTERIM STORM RECOVERY CHARGE

BY THE COMMISSION:

Background

On December 28, 2017, Tampa Electric Company (Tampa Electric or Company) filed a petition for a limited proceeding seeking authority to implement interim Storm Cost Recovery Charge factors to recover a total of \$87.4 million for the incremental restoration costs related to tropical systems named by the National Hurricane Center (NHC) during the 2015, 2016, and 2017 hurricane seasons and to replenish its storm reserve subject to true-up.

On January 30, 2018, Tampa Electric filed an amended petition, updating the recovery amount to \$102.5 million. In its amended petition, Tampa Electric asserts that as a result of Tropical Storms Erika and Colin, and Hurricanes Hermine, Matthew and Irma, Tampa Electric incurred total retail recoverable costs of approximately \$102.5 million, less its pre-storm storm reserve balance of \$55.9 million, resulting in net recoverable costs of \$46.6 million. In addition, Tampa Electric proposes to replenish its storm reserve to the \$55.9 million balance that existed on October 31, 2013. The regulatory assessment fee gross-up adds an additional \$74,000 to the recoverable costs.

Tampa Electric filed its amended petition pursuant to the provisions of the Amended and Restated Stipulation and Settlement Agreement (ARSSA) approved by Order No. PSC-2017-0456-S-EI.¹ Pursuant to Paragraph 5 of the ARSSA, Tampa Electric may petition this Commission to allow the Company to increase the initial 12 month recovery at rates greater than \$4.00/1,000 kWh or for a period longer than 12 months if Tampa Electric incurs in excess of \$100 million of storm recovery costs that qualify for recovery in a given calendar year, inclusive of the amount needed to replenish the storm reserve. In its amended petition, Tampa Electric is seeking recovery through an interim Storm Cost Recovery Charge factor of \$10.07/1,000 kWh

¹ Order No. PSC-2017-0456-S-EI, issued November 27, 2017, in Docket Nos. 20170210-EI, In re: Petition for limited proceeding to approve 2017 amended and restated stipulation and settlement agreement, by Tampa Electric Company and 20160160-EI, In re: Petition for approval of energy transaction optimization mechanism, by Tampa Electric Company.

beginning with the first billing cycle in April 2018 and concluding when the storm reserve has been replenished, which is estimated to be in December 2018.

On January 30, 2018, Tampa Electric also filed an unopposed Motion to Approve Implementation Stipulation to implement the storm cost and tax cut provisions of the ARSSA. On February 13, 2018, Tampa Electric filed a motion to approve an Amended Implementation Stipulation which was signed by all the signatories to the ARSSA and the original Implementation Stipulation. The Florida Industrial Power Users Group petitioned to intervene in this docket on January 10, 2018, and intervention was granted on February 16, 2018.² We have jurisdiction over this matter pursuant to Sections 366.04, 366.05, 366.06, and 366.076, Florida Statutes.

Decision

Tampa Electric filed an amended petition for a limited proceeding seeking authority to implement interim Storm Cost Recovery Charge factors to recover a total of \$102.5 million for the incremental restoration costs related to named tropical storms and hurricanes during the 2015, 2016, and 2017 hurricane seasons and to replenish its storm reserve. The requested recovery of \$102.5 million³ represents net retail recoverable costs of approximately \$46.6 million, plus an additional \$55.9 million to replenish the storm reserve to the balance that existed on October 31, 2013. In addition, the \$102.5 million includes a regulatory assessment fee gross-up of \$74,000. The amended petition was filed pursuant to the provisions of the ARSSA approved by the Commission in Order No. PSC-2017-0456-S-EI.⁴ Tampa Electric further asserts that this amount was calculated in accordance with the Incremental Cost and Capitalization Approach (ICCA) methodology prescribed in Rule 25-6.0143, Florida Administrative Code (F.A.C.).

Pursuant to Paragraph 5 of the ARSSA, Tampa Electric may petition the Commission to allow the Company to increase the initial 12 month recovery at rates greater than \$4.00/1,000 kWh or for a period longer than 12 months if Tampa Electric incurs in excess of \$100 million of storm recovery costs that qualify for recovery in a given calendar year, inclusive of the amount needed to replenish the storm reserve. Tampa Electric has requested an interim Storm Cost Recovery Charge factor of \$10.07 on a monthly 1,000 kWh residential bill, effective from April 2018 through December 2018.

Pursuant to the ARSSA, approval of interim Storm Cost Recovery Charge factors is preliminary in nature and is subject to refund pending a further review once the total actual storm restoration costs are known. After the actual costs are reviewed for prudence and reasonableness, and are compared to the actual amount recovered through the interim storm charge, a determination will be made whether any over/under recovery has occurred. The

² Order No. PSC-2018-0084-PCO-EI, issued on February 16, 2018, in Docket No. 20170271-EI, In re: Petition for recovery of costs associated with named tropical systems during the 2015, 2016, and 2017 hurricane seasons and replenishment of storm reserve subject to final true-up, by Tampa Electric Company

³ See Document No. 00787-2018, Exhibit D, Page 2 of 2 (Tampa Electric Amended Petition).

⁴ Order No. PSC-2017-0456-S-EI, issued November 27, 2017, in Docket Nos. 20170210-EI, In re: Petition for limited proceeding to approve 2017 amended and restated stipulation and settlement agreement, by Tampa Electric Company and 20160160-EI, In re: Petition for approval of energy transaction optimization mechanism, by Tampa Electric Company.

disposition of any over/under recovery, and associated interest, would be considered by this Commission at a later date.

Tampa Electric filed tariffs to implement both its original and amended proposed interim Storm Cost Recovery Charge factors. However, following our approval of the Amended Implementation Stipulation, Tampa Electric withdrew its proposed amended Storm Cost Recovery Charge tariff. Tampa Electric's Amended Implementation Stipulation is contained in Attachment A. The Amended Implementation Stipulation seeks to avoid volatility in customer rates by recognizing and then utilizing annual tax reform benefits resulting from the passage of the Tax Cut and Jobs Act of 2017 (Tax Act) as a direct offset to avoid implementing separate cost recovery of storm damage costs that customers would otherwise have been obligated to pay. With our approval of the Amended Implementation Stipulation, Tampa Electric will be entitled to make the appropriate adjustments to its regulated books and records to recover the entire estimated amount of storm costs that would have been recovered from customers over a nine month period in 2018 from the Company's estimated annual tax savings over the same nine month period. Consistent with the ARSSA, a final determination of storm costs and the impact of tax reform shall be made in separate dockets and any difference will be trued-up and recovered/refunded to customers through the 2019 Environmental Capital and Cost Recovery Clause with the full impact of tax reform reflected in a change in base rates in January 2019.

Our approval of interim Storm Cost Recovery Charge factors is preliminary in nature and is subject to true-up pending further review once the total actual storm restoration costs are known. After the actual costs are reviewed for prudence and reasonableness, and are compared to the actual amount recovered through the interim Storm Cost Recovery Charge, a determination will be made whether any over/under recovery has occurred and the appropriate steps to be taken for a refund or additional charge.

Based on our review of the information provided by Tampa Electric in its amended petition, we hereby authorize Tampa Electric to implement interim Storm Cost Recovery charge factors subject to true-up. Once the total actual storm costs are known, Tampa Electric shall be required to file documentation of the storm costs for our review and true-up of any excess or shortfall. This is not a confirmation or endorsement of the prudence of Tampa Electric's forecasted costs or plans. This order only allows Tampa Electric to begin recovery on an interim basis in accordance with the ARSSA. This interim recovery is subject to true-up following a hearing or formal proceeding where the veracity and prudence of Tampa Electric's actual restoration costs can be fully vetted. We further find that the Amended Implementation Stipulation is in the public interest and approve it.

Based on the foregoing, it is

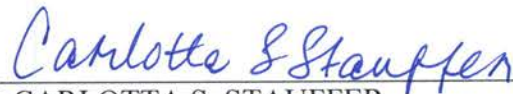
ORDERED by the Florida Public Service Commission that Tampa Electric Company is hereby authorized to implement its amended interim Storm Cost Recovery Charge factors subject to true-up as stated in the body of this order. It is further

ORDERED that Tampa Electric Company's Amended Implementation Stipulation is hereby approved. It is further

ORDERED that Tampa Electric Company shall file with this Commission documentation of the actual storm costs once those costs are known. It is further

ORDERED that this docket shall remain open pending final reconciliation of actual recoverable storm costs with the amount collected pursuant to the interim Storm Cost Recovery Charge factors, and the calculation of a refund or additional charge, if warranted.

By ORDER of the Florida Public Service Commission this 7th day of March, 2018.



CARLOTTA S. STAUFFER
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 21288
(850) 413-6770
www.floridapsc.com

Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

SBr

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: (1) reconsideration within 10 days pursuant to Rule 25-22.0376, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Office of Commission Clerk, in the form prescribed by Rule 25-22.0376, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review

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appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Tampa Electric Company)
for Recovery of Costs Associated with)
Named Tropical Systems and) Docket No. 20170271-EI
Replenishment of Storm Reserve)
_____)

In Re: Petition the Commission to establish)
a generic docket to investigate and adjust)
rates for all investor owned utilities related) Docket No. 20180013-PU
to the reduction in the federal corporate)
income tax rate as a result of the passage) Filed: February 13, 2018
of the Tax Cuts and Jobs Act)
_____)

Amended Implementation Stipulation

THIS AMENDED IMPLEMENTATION STIPULATION is dated this 13th day of February, 2018 and is by and between Tampa Electric Company (“Tampa Electric” or the “company”), the Office of Public Counsel (“OPC” or “Citizens”), the Florida Industrial Power Users Group (“FIPUG”), the Florida Retail Federation (“FRF”), the Federal Executive Agencies (“FEA”), and the WCF Hospital Utility Alliance (“HUA”). Collectively, Tampa Electric, OPC, FIPUG, FRF, FEA, and HUA shall be referred to herein as the “Parties” (or “signatories”) and the term “Party” shall be the singular form of the term “Parties.” OPC, FIPUG, FRF, FEA, and HUA will be referred to herein as the “Consumer Parties.” This document shall be referred to as the “Amended Implementation Stipulation.”

Background

The Florida Public Service Commission (“FPSC” or “Commission”) approved the 2017 Amended and Restated Stipulation and Settlement Agreement between and among the Parties (“2017 Agreement”) by Order No. PSC-2017-0456-S-EI, issued on November 27, 2017 in

Docket Nos. 20170210-EI and 20160160-EI. Paragraphs 5 and 9 of the 2017 Agreement address Storm Damage and Federal Income Tax Reform, respectively.

Tampa Electric filed a Petition for Recovery of Costs Associated with Named Tropical Systems and Replenishment of Storm Reserve in Docket No. 20170271-EI on December 27, 2017. On January 30, 2018, the company filed an Amended Petition for Recovery of Costs Associated with Named Tropical Systems and Replenishment of Storm Reserve in the same docket (“Amended Storm Petition”). The Amended Storm Petition updates the total estimated storm restoration costs from those set forth in the company’s original petition and seeks approval of revised tariff sheets containing updated Interim Storm Cost Recovery Factors designed to recover the company’s proposed total updated storm restoration costs.

The Tax Cuts and Jobs Act of 2017 (“TCJA”) was enacted by the United States Congress on December 20, 2017 and was signed into law by the President on December 22, 2017. *See Tax Cuts and Jobs Act of 2017*, Pub. Law 115-97, 131 Stat. 2054 (2017). The TCJA amends a variety of the provisions in the Internal Revenue Code and reduces the federal corporate income tax rate from 35% to 21% effective January 1, 2018. On January 9, 2018, OPC petitioned the Commission to establish a generic docket to investigate and adjust rates for all investor owned utilities related to the reduction in the federal corporate income tax rate as a result of the passage of the TCJA. Thereafter, the Commission opened Docket No. 20180013-PU for consideration of OPC’s petition.

On January 30, 2018, Tampa Electric filed an Unopposed Motion to Approve Implementation Stipulation, with the Implementation Stipulation attached to the Motion. The purpose of the Implementation Stipulation was to memorialize the understanding and agreement of the Parties regarding the manner in which Tampa Electric will implement paragraphs 5 and 9

of the 2017 Agreement. Since that filing the Parties have discussed and agreed on certain modifications to the manner in which Tampa Electric will implement paragraphs 5 and 9 of the 2017 Agreement.

This Amended Implementation Stipulation differs from the Implementation Stipulation attached to the Unopposed Motion primarily in connection with the process to be followed with respect to the approval of interim cost recovery factors and the disposition of the tariffs referenced in the amended storm petition. Those changes are reflected in paragraph 4 of this Amended Implementation Stipulation. In all other material respects this Amended Implementation Stipulation is the same as the Implementation Stipulation filed on January 30, 2018.

Stipulated Implementation Provisions

1. Paragraph 5 of the 2017 Agreement grants Tampa Electric the right to recover, on an interim basis, storm damage costs beginning sixty days after filing a petition with the Commission. Pursuant to this paragraph, on January 30, 2018, Tampa Electric filed its Amended Storm Petition seeking recovery of approximately \$102.5 million estimated for storm damage costs associated with Tropical Storms Erika and Colin and Hurricanes Hermine, Matthew and Irma and replenishment of Tampa Electric's retail storm damage reserve. Therein, the company proposed to recover this amount over a nine (9) month period effective concurrently with meter readings for the first billing cycle in April, 2018.

2. Paragraph 9 of the 2017 Agreement provides a mechanism for calculating and implementing the impact of tax reform on Tampa Electric's base rates and charges that will inure to the benefit of customers on the effective date of tax reform changes. Tampa Electric, using the methodologies set forth in Paragraphs 9(b) and 9(c) of the 2017 Agreement, has preliminarily

estimated the impact of the TCJA to result in a reduction in annual revenue requirements of approximately \$95 million for 2018. Tampa Electric and the other signatories to the 2017 Agreement recognize that the \$95 million estimated annual TCJA impact is based on preliminary data and is subject to final true-up. Per the 2017 Agreement, Tampa Electric is obligated to request permission of the Commission to reduce customer base rates within 120 days of the December 22, 2017 enactment date, or by April 23, 2018, upon a thorough review of the effects of the TCJA on base revenue requirements to account for the impacts of the TCJA. Reducing base rates and charges effective concurrently with meter readings for the first billing cycle in May 2018 would allow the company to return approximately eight (8) months of its estimated tax savings to customers in 2018. The remaining four months of annual savings, reflecting the final determination of the annual tax savings amount, would be returned to customers over twelve (12) months in 2019 through the ECCR Clause.

3. Per the 2017 Agreement, the company's storm damage costs are to be allocated to customer rate classes in the same manner as base rates consistent with the rate design methods in the 2017 Agreement. Therefore, absent this Implementation Stipulation and given the 60 day period in paragraph 5(a) of the 2017 Agreement, Tampa Electric would be authorized to increase rates by approximately \$102.5 million concurrently with meter readings for the first billing cycle in April 2018, and a month later, pursuant to paragraph 9 of the 2017 Agreement, reduce those same rates by approximately \$95 million per year to reflect tax savings from the TCJA. To avoid this volatility in customer rates, and recognizing that the amount of storm damage costs and tax savings are currently estimates, with the final values to be determined by the FPSC after separate opportunities for hearing, the signatories to the 2017 Agreement agree that Tampa Electric should effectively use the estimated annual TCJA tax savings reduction of

approximately \$95 million per year to avoid the need to charge customers for the estimated \$102.5 million of storm damage costs that they would have otherwise been obligated to pay beginning in April 2018. The parties also recognize that because the estimated amounts of storm costs and tax savings are approximately the same, there is an opportunity to provide customers full credit for 100 percent of the estimated 2018 tax savings during calendar year 2018, and at the same time avoid having to collect a surcharge from customers to recover the company's estimated storm damage costs, by treating both amounts in the manner proposed in this Implementation Stipulation.

4. To accomplish these goals, the Parties agree and request that the Commission approve the interim cost recovery factors referenced in the Amended Storm Petition, Upon approval of the interim cost recovery factors and approval of this Amended Implementation Stipulation, Tampa Electric Company will withdraw the tariffs associated with the interim cost recovery factors approved pursuant to the Amended Storm Petition. The Parties agree and request that the Commission authorize the company to make the appropriate accounting adjustments on its regulated books and records such that the entire estimated amount of storm costs that would have been recovered from customers ratably over a nine (9) month period in 2018 is paid for or recovered ratably from the company's estimated annual tax savings over the same nine (9) month period.

5. The Parties further agree and request that the Commission approve the following additional provisions of this Amended Implementation Stipulation:

(a) The final amount of the company's storm costs authorized to be recovered will be determined by the Commission in Docket No. 20170271-EI.

(b) A final determination of the impact of tax reform on Tampa Electric's base rates and charges pursuant to the 2017 Agreement will be determined by the Commission in Docket No. 20180013-PU or a separate docket established for that purpose and dedicated to Tampa Electric.

(c) After the final determinations of the impact of tax reform and recoverable storm cost amounts have been determined, any difference will be trued up and recovered (or returned) to customers through the ECCR Clause in 2019, as contemplated in the 2017 Agreement.

(d) After its impact is finally determined by the Commission, the company will reflect the full impact of tax reform on Tampa Electric's base rates and charges through tariff changes to be effective concurrently with meter readings for the first billing cycle in January 2019, provided that the Commission's determinations are final before that date.

(e) All signatories maintain and do not waive their rights to raise any argument that is allowed under the 2017 Agreement with respect to the level of storm damage costs and the calculation of the TCJA impacts.

(f) It is the intent of the parties, and a condition of this Amended Implementation Stipulation, that the two distinct proceedings contemplated in Paragraphs 5 and 9 of the 2017 Agreement shall be conducted as if this stipulation did not exist and that final determinations of actual storm costs and tax savings be made independently and separately.

6. The parties intend that the storm damage costs be transparent and ascertainable on a stand-alone basis and that the benefits of the TCJA impacts be transparent and ascertainable on a stand-alone basis. Upon approval of this Amended Implementation Stipulation, the company shall file a monthly storm cost overview which accounts and reports on the recovery of storm

damage costs, the costs remaining to be recovered, and the amount of TCJA benefits applied to storm damage costs.

7. The Parties have entered into this Amended Implementation Stipulation for the purpose of clarifying the appropriate means of implementing the referenced provisions of the 2017 Agreement and not to modify or otherwise impact the 2017 Agreement, which shall remain in full force and effect in accordance with its terms.

8. This Amended Implementation Stipulation is dated as of February 13 , 2018. It may be executed in counterpart originals and a facsimile of an original signature shall be deemed an original.

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IN WITNESS WHEREOF, the Parties evidence their acceptance and agreement with the provisions of this Implementation Stipulation by their signature(s):

Tampa Electric Company
702 N. Franklin Street
Tampa, FL 33601

By 
Nancy Tower, President

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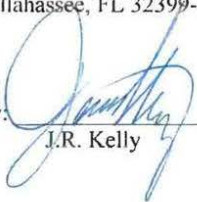
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Signature Page to Implementation Stipulation

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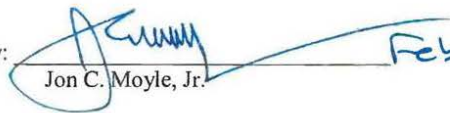
By:



J.R. Kelly

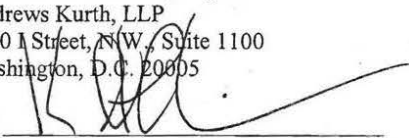
Signature Page to Implementation Stipulation

The Florida Industrial Power Users Group
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By:  Feb. 13, 2018
Jon C. Moyle, Jr.

Signature Page to Implementation Stipulation

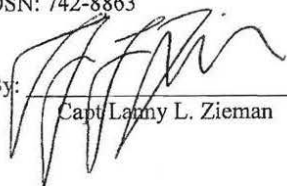
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Signature Page to Implementation Stipulation

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