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February 21, 2013

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

Re: Tampa Electric Company's Petition for Expedited Approval of Asset Optimization Incentive Mechanism; FPSC Docket No. 130024-EI

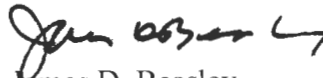
Dear Ms. Cole:

Enclosed for filing in the above-styled matter are the original and five (5) copies of Tampa Electric Company's responses to Staff's Second Data Request (1-16) that were contained in a February 14, 2013 letter from Ms. Martha F. Barrera to the undersigned.

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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cc: Ms. Martha F. Barrera (w/enc.)
J.R. Kelly/Patricia A. Christensen (w/enc.)

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

TAMPA ELECTRIC COMPANY
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1. How are transactions, described in paragraphs 8(a)(i) and (ii) of the petition, recorded for financial accounting and general ledger purposes? Please describe the accounting for each function under paragraph 8(a)(i) and (ii) of the petition.
 - A. Currently, the transactions described in paragraphs 8(a)(i) and (ii) are accounted for like all other fuel and purchase power expenses (see specifics below). Revenues are treated as a credit to fuel expense, so the "gain" is not readily available. The exception is non-firm wholesale power transactions, where the benefit (*e.g.*, a margin for a sale or avoided cost for a purchase) is calculated for each opportunity transaction and recorded. The incentive mechanism will require this increased level of record keeping for all opportunity transactions.
 - **Short-term wholesale sales¹**

The retail portion of non-separated sales revenue is booked to FERC Account No. 447 and any wholesale recoverable portion is also booked to Account No. 447 with an offsetting entry to an interchange customer accounts receivable account in Account No. 143. Any fuel cost associated with non-separated sales and the related gains are separately identified on Schedule A1 and A6 and excluded from fuel expense. The gains on short-term wholesale sales are currently reported monthly on the company's Schedule A6 and would be shown in Table 1, column 3 of Tampa Electric's sample Total Gains Schedule.
 - **Short-term wholesale purchases²**

For short-term purchases the general ledger entry is to book to FERC Account No. 555 and credit Account No. 232. Retail purchased power for short term purchases is separately identified on Schedule A1 as well, and the cost and associated gain is reflected on Schedule A9. The gains on short-term wholesale purchases are currently reported monthly on the company's Schedule A9 and would be shown in Table 1, column 5 of Tampa Electric's sample Total Gains Schedule.

¹ As defined in the company's petition, filed January 23, 2013.

² As defined in the company's petition, filed January 23, 2013.

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- **Gas storage utilization**
These transactions are recorded for financial accounting and general ledger purposes by crediting recoverable fuel expense, FERC Account No. 547, and debiting the offsetting the fuel inventory Account No. 151. The gains would be included in Table 1, column 6 of Tampa Electric's sample Total Gains Schedule.
- **Delivered city-gate gas sales using existing transport**
These transactions are recorded for financial accounting and general ledger purposes by crediting recoverable fuel expense, FERC Account No. 547, and debiting the offsetting the fuel inventory Account No. 151. The gains would be included in Table 1, column 6 of Tampa Electric's sample Total Gains Schedule.
- **Production (upstream) area sales**
These transactions are recorded for financial accounting and general ledger purposes by crediting recoverable fuel expense, FERC Account No. 547, and debiting the offsetting the fuel inventory Account No. 151. The gains would be included in Table 1, column 6 of Tampa Electric's sample Total Gains Schedule.
- **Capacity release of gas transport and electric transmission**
These transactions are recorded for financial accounting and general ledger purposes by crediting recoverable fuel expense, FERC Account No. 547, and debiting the offsetting the fuel inventory Account No. 151. The gains would be included in Table 1, column 6 of Tampa Electric's sample Total Gains Schedule.
- **Asset Management Agreement ("AMA")**
These transactions are recorded for financial accounting and general ledger purposes by crediting recoverable fuel expense, FERC Account No. 547, and debiting the offsetting the fuel inventory Account No. 151. The gains would be included in Table 1, column 6 of Tampa Electric's sample Total Gains Schedule.
- **Solid fuel purchasing, transportation and storage optimization**
These transactions are recorded for financial accounting and general ledger purposes by crediting recoverable fuel expense, FERC Account No. 501, and debiting the offsetting the fuel inventory Account No. 151. The gains would be included in Table 1, column 6 of Tampa Electric's sample Total Gains Schedule.

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2. What permanent records and documentation – paper or electronic – are created by a short-term wholesale sale or a short-term wholesale purchase?

A. Tampa Electric produces and retains standard records for its short-term sale and purchase transactions. First, there are pricing and economic analysis documents. These documents display the cost of company resources used in making the sell or avoided in the buy decision. These documents are the output of economic models that calculate the system's economics (e.g., Tampa Electric's system both with and without the transaction).

There are also accounting systems that store the invoice-related portions of the transaction. This includes items such as delivered energy and price. These records are used to bill for a sale and verify payment for a purchase. These invoices are then aggregated for the monthly fuel expense accounting.

The term of a "short-term" transaction can result in a documentation difference. Typically, transactions with a term of one month or more are "papered" transactions. This means they have an accompanying document (e.g., contract; confirmation) signed by both parties. Transactions of a very near-term nature (e.g., those made hour-to-hour or day-to-day) are typically not papered but have voice recording records as confirmations under a master enabling agreement.

All records are retained per the company's records retention policy.

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3. What permanent records and documentation – paper or electronic – are created by a power purchase transaction that would be reported on the A7 schedule?
 - A. The transactions on Schedule A7 are firm wholesale power transactions, typically with multi-year terms. These are papered transactions. This means they have an accompanying document (e.g., contract; confirmation) signed by both parties.

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4. What permanent records and documentation – paper or electronic – are created by any other activities under paragraph 8(a)(ii) of the petition?
- A. Consistent with the power sales and purchases transactions documentation described in the previous responses, Tampa Electric produces similar, commodity-specific documents for its other activities. All transactions have an agreement or confirmation detailing the price, volume and term of a transaction. Also, each transaction has an invoice for a sale or a payment verification for a purchase. But, unlike the power transactions and due to the limited activity level, the records are not currently maintained in a way to readily calculate a benefit (margin for a sale, avoided cost for a purchase) from these opportunity transactions. The incentive mechanism will require this increased level of record keeping for all opportunity transactions.
- **Gas storage utilization**
Tampa Electric maintains contracts in accordance with Tampa Electric records retention requirements. Tampa Electric would require that each transaction is entered into the system of record and deal confirmations are printed and retained.
 - **Delivered city-gate gas sales using existing transport**
Tampa Electric maintains contracts in accordance with Tampa Electric records retention requirements. Tampa Electric would require that each transaction is entered into the system of record and deal confirmations are printed and retained.
 - **Production (upstream) area sales**
Tampa Electric maintains contracts in accordance with Tampa Electric records retention requirements. Tampa Electric would require that each transaction is entered into the system of record and deal confirmations are printed and retained.
 - **Capacity release of gas transport and electric transmission**
Tampa Electric maintains contracts in accordance with Tampa Electric records retention requirements. Tampa Electric would require that each transaction is entered into the system of record and deal confirmations are printed and retained.

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- **Solid fuel purchasing, transportation and storage optimization**
Tampa Electric maintains contracts in accordance with Tampa Electric records retention requirements. Tampa Electric would require that each transaction is entered into the system.

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- 5.** What permanent records and documentation – paper or electronic – are created by any activities under paragraph 8(a)(ii) of the petition that are executed under an AMA?
 - A.** Tampa Electric would maintain Asset Management Agreement ("AMA") contracts in accordance with FERC and Tampa Electric records retention requirements. Tampa Electric would require that each transaction is entered into the system of record, and deal confirmations are printed and retained.

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6. Are any of the records and documentation in the questions above independent of Tampa Electric Company?
- A. No, the documents described in the questions above are records of Tampa Electric. Each transaction likely generates additional records internal to the counterparty and any transportation agent (e.g., OATI web OASIS for wholesale power transmission), but these records are under control of that independent party and may not be available to Tampa Electric.

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7. Will any transactions carried out under the proposed incentive mechanism be subject to GAAP accounting for derivatives and financial hedges?
 - A. Tampa Electric does not currently expect to include any financial derivative transactions as part of the incentive mechanism calculation.

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8. Will TECO prepare a business plan/operating plan for the AMA activities on an annual basis?
 - A. No. Tampa Electric does not intend to prepare a business plan related to AMA agreements. The company may execute AMA agreements as opportunities arise that would benefit customers.

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9. Please refer to paragraph 8(a)(i) of the petition. Regarding purchases that are reported on the A-7 Schedule, how does TECO propose to measure fuel savings regarding these purchases?
 - A. Tampa Electric does not currently report any short-term purchases on Schedule A7. If short-term purchases were to be reported on Schedule A7 in the future, the gains would be measured in the same manner as they currently are measured for the transactions reported on the Schedule A9. The difference between purchase price and cost if generated would equal the fuel savings amount.

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- 10.** Regarding purchases that are reported on the A-7 Schedule, are the amounts of capacity payments associated with these purchases dependent, in part, on the amount of power purchased? Please explain.
 - A.** The capacity payments for transactions currently listed on Schedule A7 were predetermined at the time of contract execution. Their capacity prices do not vary based on usage. To the extent Tampa Electric can re-market that capacity on an opportunity basis, the benefit from mitigating the fixed capacity payment expense would be included in the incentive.

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11. If a TECO baseload unit experiences an unplanned outage, this event could contribute to TECO receiving a GPIF penalty (or less of a reward) and it could increase power purchases during the outage. Should the power purchased during an unplanned outage be eligible for inclusion in the calculation of incentive mechanism gains? Please explain.
- A. Yes. Although an unplanned unit outage does not change Tampa Electric's process of regularly surveying the market for cost-effective purchase options for its customers, under this scenario there may be a greater potential savings for customers when Tampa Electric aggressively seeks the most cost-effective options for its customers. An economical power purchase during an unplanned outage may avoid starting or increasing generation on a more expensive unit, reducing fuel expenses, which benefits customers. Benefits of power purchases should be included in the incentive mechanism.

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12. In part, the Generating Performance Incentive Factor (GPIF) program provides a reward incentive to the Company if availability targets are met for certain generating units during a given review period. In contrast, a penalty is imposed if the targets are not met. Please answer the following:
- a. If TECO receives a GPIF reward for meeting its targets, could the Company also benefit under the "Incentive Mechanism?" Please explain your response.
 - b. If TECO receives a GPIF penalty for not meeting its targets, could the Company receive an off-setting benefit under the "Incentive Mechanism" because it purchased power, rather than generated power? Please explain your response.
- A.
- a. Yes. The two programs are mutually exclusive. The GPIF reward or penalty is based on meeting Tampa Electric generating units' availability and heat rate annual (long-term) targets. The Incentive Mechanism is based on short-term market gains or losses. It is possible to have rewards or penalties in one or the other program each year. The GPIF and Incentive Mechanism reward programs benefit our customers with fuel savings. Also, see the company's response to Staff's Second Data Request, No. 11.
 - b. Yes, for the same reasons as described in part (a) above.

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- 13.** In paragraph 8(iii) from the Company's Petition, TECO describes the sharing percentage thresholds. Please answer the following:
- a. What is the basis for the 60 / 40 split for incremental gains between \$9 and \$20 million?
 - b. What is the basis for the 50 / 50 split for incremental gains in excess of \$20 million?
- A.**
- a. The basis for the 60 / 40 split for incremental gains between \$9 and \$20 million is the same split percentage approved for FP&L in their second tier of sharing as part of their Settlement.
 - b. The basis for the 50 / 50 split for incremental gains in excess of \$20 million is the same split percentage approved for FP&L in their third tier of sharing as part of their Settlement.

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- 14.** Were any of the solid fuels optimization measures performed for each year 2009 through 2012? Please explain.
- A.** Yes, Tampa Electric made a small number of sales of solid fuel assets in 2011 and 2012. In general, the solid fuel market is illiquid. Due to differing coal quality characteristics, one utility's coal cannot be readily burned in another utility's power plant, so the opportunity for transactions is rare. Nonetheless, seeking out these opportunities can lower overall costs for customers by mitigating fixed transportation expense and creating efficiencies in this illiquid market. To this end, Tampa Electric uses an inventory model to optimize deliveries and inventory volumes continuously throughout the year. Based on actual deliveries and unit performance, Tampa Electric updates the projected plan and seeks opportunities to engage the market and create additional benefits for customers.

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- 15.** If yes to the above question, were any of these asset optimization gains/savings considered when determining the "Initial Customer Savings Threshold"?
- A.** No. Tampa Electric has executed these transactions when the opportunities have arisen, but the company does not typically expect or plan for them. Tampa Electric considers these transactions to be part of the stretch goal.

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- 16.** FPL's thresholds were \$36 million based on gains on power sales and savings on power purchases. An additional \$10 million was added for a threshold of \$46 million. TECO has proposed the same functional areas as FPL with the addition of "Solid Fuel purchasing, transportation, and storage optimization." Since TECO is adding the solid fuel functional area, should the \$6.5 million "Initial Customer Savings Threshold" be higher? Please explain.
- A.** No. Tampa Electric's generation portfolio is different than FPL's. While Tampa Electric may have an opportunity for solid fuel, transportation, and storage optimization, the company will also have less opportunity for gas optimization since there will be proportionally less utilization of natural gas commodities, transportation, storage and generating assets. For example, if Tampa Electric did not have any coal generating assets, it could be able to achieve greater savings with natural gas optimization since the company's portfolio would include a greater volume of natural gas purchases, transportation capacity and storage, which could be used for optimization.