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April 9, 2020

VIA: ELECTRONIC FILING

Mr. Adam J. Tietzman
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Fuel and Purchased Power Cost Recovery Clause with Generating Performance Incentive Factor; FPSC Docket No. 20200001-EI

Dear Mr. Tietzman:

Attached for filing in the above docket are Tampa Electric Company's responses to Staff's First Data Request (Nos. 1-15) dated March 27, 2020.

Thank you for your assistance in connection with this matter.

Sincerely,

James D. Beasley

JDB/bmp
Attachment

cc: Suzanne S. Brownless

TAMPA ELECTRIC COMPANY
DOCKET NO. 20200001-EI
STAFF'S FIRST DATA REQUEST
REQUEST NO. 1
BATES STAMPED PAGES: 1
FILED: APRIL 09, 2020

For the purposes of the following requests, please refer to Tampa Electric Company's (TECO or Company) Mid-Course Correction Petition (Petition), filed March 25, 2020, in Docket No. 20200001-EI, and the Company's petition for 2020 Fuel and Purchased Power Factors, Capacity Cost Factors, Generating Performance Incentive Factors, and Optimization Mechanism (Projection Filing), dated September 3, 2019, filed in Docket No. 20190001-EI.

1. Please specify both the numerator and denominator used to calculate the projected 22 percent over-recovery figure as shown on page 4, paragraph 9, of the Petition. Please also discuss the derivation of both figures used in the calculation.

A.

1. 2020 Ending Over Recovery (per Midcourse Exhibit A page 2 of 3, line C12 filed 3-25-20)	$94,867,488
2. 2019 Final Over Recovery (per 2019 Final True-Up Document 2 filed 3-2-20)	$35,821,098
3. Total Over Recovery (line 1 + line 2)	$130,688,586
4. 2020 Fuel Revenues (per Midcourse Exhibit A page 2 of 3, line C1 filed 3-25-20)	$585,626,751
5. Over Recovery percent (line 3 / line 4)	22%

2. Please specify the system average delivered natural gas cost, per MMBtu, that is embedded in the Company's currently-approved fuel factor.

A. The system average delivered natural gas cost per mmBtu that is embedded in the currently approved fuel factor is $3.68 per Schedule E3, line 44 in Docket No. 20190001-EI, Exhibit No. PAR-3, Document No. 2, page 9 of 30.

3. Please refer to page 4, paragraph 9, of the Petition. Of the part actual, part estimated amount of $94,867,488 specified in the section, please separately identify the actual January and actual February over-recovery amounts.

A. The actual January 2020 over-recovery is $10,620,296. The actual February 2020 over-recovery is $22,187,879.

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REQUEST NO. 4
BATES STAMPED PAGES: 4-5
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4. Please refer to page 4, paragraph 10, of the Petition. Please discuss in greater detail the revisions to "planned power purchases with updated availability and pricing of market power purchases," focusing on the projected impact these revisions have on the Company's newly-proposed fuel costs/factors.

A. At the time of its original 2020 fuel filing, which occurred during the summer of 2019, Tampa Electric had only two (2) purchased power products in its 2020 projection. One product was an existing purchase agreement with Duke Energy Florida (DEF). The DEF purchase was non-firm, had monthly energy strips of 360 MW and 160 MW during the summer and winter periods, respectively; and was scheduled to conclude at the end of February 2020. In addition, Tampa Electric's use of the DEF purchase in 2020 was optional, and the company did not project using the purchase in January or February 2020. The other product was an assumed 50 MW firm purchase to cover a reserve margin need in the winter of 2021. Because the winter season for power purchases typically covers the term December of the previous year through February of the upcoming year, the December 2020 portion of the assumed purchase was part of the projected purchased power expenses for 2020.

Beginning in the fall of 2020 and continuing through early spring of 2020, Tampa Electric contacted power market participants and inquired about potential market purchase opportunities. As a result, the company identified and contracted for the benefit of customers a total of seven (7) purchases: two (2) from Florida Power & Light (FPL), three (3) from the Florida Municipal Power Agency (FMPA), and one (1) each from the Orlando Utilities Commission (OUC) and DEF. These purchases cover various seasons and serve different purposes, as further explained below.

- Five (5) of the purchases are firm, peaking call options and support Tampa Electric's firm reserve margin as the company continues its planning in anticipation of the Big Bend Modernization Project coming online—the two (2) combustion turbines in November 2021 and the combined cycle (CC) in January 2023. The purchases are 112 MW from FMPA (December 2019-February 2020), 74 MW from FMPA (July-September 2020), 150 MW from FMPA (December 2020-February 2021), 160 MW from FPL (December 2020-February 2021), and 100 MW from OUC (December 2020-February 2021). The contracted purchases that cover the winter 2021 season take the place of the assumed 50 MW firm purchase in the original filing.
- The other two (2) purchases are non-firm, all-energy purchases. The purchases are up to 300 MW from FPL (April-November 2020) and an extension of the previously mentioned non-firm DEF purchase.

These purchases help ensure reliable electric service to customers during each purchase's respective season and have a total projected savings to customers of $7.1 million. Thus, the effect of this revised purchased power portfolio on the Petition is a reduction of fuel and purchased power costs to customers relative to the original 2020 fuel filing.

5. Please refer to page 5, Paragraph 11, of the Petition. Here TECO writes: "the company proposes to (1) return a portion of the projected over-recovery over a shorter time period, from June 2020 through August 2020 through a line item credit on customers' bills and (2) reduce the fuel factors for the remaining seven months of 2020 to reflect the estimated reforecast over-recovery in 2020." Please confirm that the period described as "the remaining seven months of 2020" consists of the months June, July, August, September, October, November, and December.

A. Confirmed.

6. Please refer to page 6, Paragraph 14, of the Petition. Please specify the fuel credit for a residential customer using 1,000 kWh for the scenario (i.e. levelized June through December flow-back) contemplated in this paragraph.

A. In that scenario, there is no separate fuel credit, and the fuel factors are reduced to return the full amount of the expected over-recovery.

7. Please describe any to date or planned Company efforts in notifying its customers concerning the proposed actions it has requested through its Petition.

A. See the company's response to Staff's Second Data Request, No. 4, submitted in this docket on April 8, 2020.

8. Although the Petition does not address coal, has the Company's projected costs for this type of fuel meaningfully/significantly changed for the end of 2019 and 2020 periods? If so, please explain.

A. No. The company's projected cost of coal has not changed.

9. Please discuss whether the Company instituted any different processes, procedures, and/or measures related to fuel cost and fuel revenue forecasting since it last petitioned for a mid-course correction on January 15, 2019. If the response is negative (i.e. no changes were made), does the Company contemplate doing so as result of its current mid-course filing? If so, please explain.

A. No. Tampa Electric has not instituted any different processes, procedures, and/or measures related to fuel cost and fuel revenue forecasting since its mid-course correction petition. At the time the company prepares the forecasts for its annual fuel filings, it uses the most current information and forecasts for customer demand and energy, fuel prices, and other components. Fuel cost variances are monitored monthly, including an evaluation of substantial variances and monitoring for signs that the company may exceed the 10 percent notification threshold for the fuel clause.

Natural gas has become a greater portion of the company's system generation, increasing from 69 percent in 2017 to 90 percent in 2019. Thus, natural gas prices have the greatest potential impact on customer energy prices. As a result, the company monitors these prices closely. Significant changes in natural gas pricing are communicated internally as they happen so that impacts to fuel clause projections can be evaluated in a timely manner.

No, the company does not plan to change its processes, procedures or measure related to fuel cost and fuel revenue forecasting. The fuel true-up process, combined with Tampa Electric's method of forecasting fuel prices and other factors using information and data available to it at the time provides a balanced approached to forecasting. Thus, Tampa Electric plans to keep its forecasting processes the same.

10. Please identify the sources and dates of TECO's underlying fuel price forecast used in support of its currently-approved system fuel factor.

A. The currently-approved system fuel factor utilized NYMEX natural gas futures contract prices for the five-day period May 13, 2019 through May 17, 2019. These dates were earlier than typical because the company used a consistent fuel forecast in its Third SoBRA cost-effectiveness analysis (submitted earlier in 2019 than the annual fuel projection) and the fuel docket annual filings.

11. Please discuss TECO's fuel forecasting methodology. Please also remark on approximate the length of time the Company has employed this same or very similar fuel forecasting methodology for business planning purposes.

A. Tampa Electric has used the same methodology to forecast fuel commodity prices for over ten years and believes the methodology remains prudent and sound. The methodology is consistent across commodities. It uses market indicators like New York Mercantile Exchange (NYMEX) futures contracts to estimate near-term prices (one to three years) because such indicators reflect the market's view of natural gas prices and price movements.

Tampa Electric uses a commercially available, published fuel commodity price forecast from an independent energy consulting firm (e.g., PIRA, Wood MacKenzie) for the mid-term period (two to 20 years). Within the mid-term forecast, these consultants' forecasts factor in critical components that affect natural gas price movements. The components include in-service dates of new pipelines, LNG imports/exports, natural gas exploration, and closely related activities such as domestic and international oil production.

The final long-term portion of the fuel price forecast then transitions to using an independent, longer term source, the Energy Information Administration (EIA) Annual Energy Outlook. The longer-term source provides a basis for consistent, long-term escalations among the various commodities. The source data is blended to transition between the near-term, mid-term, and long-term time periods. The forecast is produced each summer to support the late-summer fuel clause actual-estimate and projection filings and is used for one year until the next official forecast is produced, except in cases where market conditions and fuel cost variances indicate the need for an updated fuel forecast for a mid-course adjustment.

12. Please identify the date, if known, of TECO's next/updated fuel price forecast that will be used for business planning purposes.

A. Summer 2020.

13. Does TECO compare its fuel price forecast to any other publicly available source of forecasted fuel prices, such as the Energy Information Administration? If so, please discuss the results of any analysis performed.

A. Yes. Tampa Electric uses the Energy Information Administration's Annual Energy Outlook for the last 10 years of its 30-year annual fuel price forecast. In addition, the Outlook reference case, low, and high scenarios are utilized to validate Tampa Electric's 30-year annual fuel price forecast and high and low fuel price projections. Tampa Electric also uses the New York Mercantile Exchange (NYMEX), PIRA Energy Group, Coal Daily, Inside FERC, and Platt's Oilgram to support its annual fuel price forecast.

A short-term fuel price forecast, such is that used for the Mid-Course Correction Petition, relies on NYMEX natural gas futures contract prices because, as noted in the company's response to Staff's First Data Request No. 11, NYMEX prices better reflect near-term natural gas price expectations.

14. Did TECO perform a sensitivity analysis of its fuel price forecast for the purposes of determining the validity of its expected annual fuel cost? If the response is negative, please explain why the Company did not perform such an analysis.

A. No. Tampa Electric produces high and low fuel forecasts reviews the effect of high and low fuel forecasts to anticipate the likelihood of significant movements in its fuel costs, not specifically for the purpose of validating its expected annual fuel costs. The company uses the most likely or base case fuel price forecast to project its annual fuel cost. Tampa Electric realizes its fuel price forecasts cannot be perfectly accurate. Therefore, the company monitors actual fuel price movements throughout the year.

15. Please provide the percent error in TECO's delivered natural gas price forecasts out 3 to 5 years for 2017 through 2019, using the data found in the Company's Ten-Year Site Plans, by populating the following tables:

Natural Gas Price Forecasts

Year	Natural Gas Price Annual Forecast ($/MMbtu)		
	Years Prior		
	5	4	3
2017			
2018			
2019			
Average			

Accuracy of Natural Gas Price Forecasts

Year	Natural Gas Price Annual Forecast Error Rate (%)		
	Years Prior		
	5	4	3
2017			
2018			
2019			
Average			

Natural Gas Price Actuals

Year	Actual Natural Gas Price ($/MMbtu)
2017	
2018	
2019	

A. Unexpectedly high levels of natural gas production continue to oversupply the market, thus lowering prices below what was expected. The requested information is provided in the following tables.

Natural Gas Price Forecasts

Year	Natural Gas Price Annual Forecast ($/MMbtu)		
	Years Prior		
	5	4	3
2017	7.73	6.26	6.07
2018	6.40	6.25	6.03
2019	6.58	6.22	5.14
Average	6.91	6.24	5.75

Accuracy of Natural Gas Price Forecasts

Year	Natural Gas Price Annual Forecast Error Rate (%)		
	Years Prior		
	5	4	3
2017	-48%	-29%	-27%
2018	-36%	-34%	-31%
2019	-48%	-43%	-26%
Average	-44%	-35%	-28%

Natural Gas Price Actuals

Year	Actual Natural Gas Price ($/MMbtu)
2017	4.01
2018	4.07
2019	3.41