FILED SEP 12, 2013
DOCUMENT NO. 05405-13
FPSC - COMMISSION CLERK


BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 130040-EI

PETITION FOR RATE INCREASE
BY TAMPA ELECTRIC COMPANY.
_____/

VOLUME 8

Pages 1437 through 1478

PROCEEDINGS: HEARING

COMMISSIONERS
PARTICIPATING: CHAIRMAN RONALD A. BRISÉ
COMMISSIONER LISA POLAK EDGAR
COMMISSIONER ART GRAHAM
COMMISSIONER EDUARDO E. BALBIS
COMMISSIONER JULIE I. BROWN

DATE: Wednesday, September 11, 2013

TIME: Commenced at 9:33 a.m.
Concluded at 10:20 a.m.

PLACE: Betty Easley Conference Center
Room 148
4075 Esplanade Way
Tallahassee, Florida

REPORTED BY: LINDA BOLES, CRR, RPR
Official FPSC Reporter
(850) 413-6734

APPEARANCES: (As heretofore noted.)

# I N D E X

## WITNESSES

NAME: PAGE NO.

***NO WITNESSES CALLED IN THIS VOLUME***

EXHIBITS

| NUMBER: | | ID. | ADMTD. |
|---|---|---|---|
| 241 | Stipulation and Settlement Agreement | 1443 | 1445 |
| 242 | Tampa Electric Residential Service at 1000 kWh Total Monthly Billing Impact of Stipulation | 1443 | 1445 |
| 243 | Tampa Electric Summary of Impacts of Cost of Service Methodology Changes on Residential Class Base Rate Increase Per Settlement Year One | 1444 | 1445 |
| 244 | GBRA Package for the Polk 2-5 Combined Cycle Conversion Project | 1444 | 1445 |
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P R O C E E D I N G S

(Transcript follows in sequence from Volume 7.)

**CHAIRMAN BRISÉ:** Good morning. Today is September 11, and soon I'm going to ask you to join me in a moment of silence. But before we do that, most of us probably, probably remember where we were on September 11, 2001, on that fateful day where 2,947 people lost their lives. And we're going to take a moment of silence to remember those who lost their lives; and also in memory of those who lost their lives trying to save lives; and those who were just doing what they were supposed to do, go to work and travel to take care of whatever it is that they were planning to take care of on that day.

We're also going to, as we stand in a moment of silence, think about those who continue to protect us daily so that we can continue to enjoy the freedoms and the safety that we enjoy in this country.

And I especially want to thank Colonel Fike for his service today to our country. And we also want to think about the families that lost loved ones on that day, and children who are without fathers, children without mothers, and siblings who

lost other siblings, husbands who lost wives, and wives who lost husbands and so forth. So if you would join me in standing for a moment of silence.

(Moment of silence observed.)

Thank you. So today we are going to convene to continue our work on Docket Number 130040-EI. And in order to do so, we're going to take appearances and then we're going to move straight into what we have to do today. So we'll go ahead and take appearances.

**MR. BEASLEY:** Thank you, Mr. Chair.

James D. Beasley and J. Jeffry Wahlen, along with Kenneth R. Hart and Ashley M. Daniels of the law firm of Ausley & McMullen representing Tampa Electric Company. I would also like to introduce Mr. T. J. Szelistowski, Managing Director of Regulatory Affairs, who's seated to the left of Mr. Wahlen; and Mr. William R. Ashburn, Director of Pricing and Financial Analysis for Tampa Electric, who's seated to the left of Mr. Szelistowski.

**LIEUTENANT COLONEL FIKE:** Lieutenant Colonel Gregory Fike representing the Federal Executive Agencies.

**MS. KAUFMAN:** Good morning, Chairman, Commissioners. Vicki Gordon Kaufman here on behalf

of the Florida Industrial Power Users Group.

**MR. WRIGHT:** Robert Scheffel Wright and John T. LaVia, III, on behalf of the Florida Retail Federation. Thank you.

**MS. CHRISTENSEN:** Patricia Christensen and Charles Rehwinkel with the Office of Public Counsel, along with J. R. Kelly, the Public Counsel. Thank you.

**CHAIRMAN BRISÉ:** All right. Thank you.

Staff.

**MS. BARRERA:** Martha Barrera and Suzanne Brownless, staff attorneys for the PSC.

**MS. HELTON:** And Mary Anne Helton, advisor to the Commission. And also here is Curt Kiser, the General Counsel.

**CHAIRMAN BRISÉ:** All right. Thank you. So we are here primarily to deal with the proposed settlement agreement and joint motion this morning and we're going to proceed with that. I don't know if there are any preliminary matters that we need to deal with.

**MS. BARRERA:** Yes, Commissioner. At this time we would ask to introduce into the record evidence the Stipulation and Settlement Agreement, including its attached exhibits that have been

reviewed by everyone and staff and Commission, and that would be Exhibit Number 241.

(Exhibit 241 marked for identification.)

**CHAIRMAN BRISÉ:** Okay. And you said the short title for that is?

**MS. BARRERA:** Stipulation and Settlement Agreement.

**CHAIRMAN BRISÉ:** Okay. And you said that is 241; right?

**MS. BARRERA:** 241, yes.

**CHAIRMAN BRISÉ:** Okay. Thank you.

All right. Any further exhibits?

**MR. BEASLEY:** Mr. Chairman, we would like to have marked for identification an exhibit that was distributed and filed yesterday entitled Tampa Electric Company Residential Service at 1m000 Kilowatt Hour Total Monthly Billing Impact of Stipulation.

**CHAIRMAN BRISÉ:** That will be 242.

**MS. BARRERA:** Yes, sir.

(Exhibit 242 marked for identification.)

**MR. BEASLEY:** The next one would be a document that was also field yesterday entitled Tampa Electric Company Summary of Impacts of Cost of Service Methodology Changes on Residential Class

Base Rate Increase Per Settlement - Year One, and that would be, I think, 242 -- 243.

**CHAIRMAN BRISÉ:** All right. Thank you. 243.

**MS. BARRERA:** 243.

(Exhibit 243 marked for identification.)

**MR. BEASLEY:** The next exhibit also filed yesterday is Tampa Electric Company's and Intervenors' GBRA Package Concerning the Polk 2-5 Combined Cycle Conversion Project.

**CHAIRMAN BRISÉ:** Okay. And that would be 244.

(Exhibit 244 marked for identification.)

**MR. BEASLEY:** And the final exhibit, this morning we filed, at staff's request, an exhibit entitled Steps for Rate Design Based on Stipulation and Settlement Agreement, which is a document that our people relied on in a staff briefing that took place on Monday afternoon, and I would ask that that be marked for identification. I have copies if, if anyone needs that.

**CHAIRMAN BRISÉ:** Yeah. That I don't think I have.

**MR. BEASLEY:** And that concludes the identification of the exhibits for Tampa Electric.

**CHAIRMAN BRISÉ:** Oh, I guess I do have it. Okay. So that would be 245?

**MS. BARRERA:** Yes, sir.

**CHAIRMAN BRISÉ:** Thank you. Okay.

(Exhibit 245 marked for identification.)

**MR. BEASLEY:** And we will be happy to move those at your pleasure whenever you think that's the appropriate time.

**CHAIRMAN BRISÉ:** Sure. Are there any objections to having these items entered into the record at this time?

**MS. CHRISTENSEN:** No objection from OPC.

**CHAIRMAN BRISÉ:** Okay. Seeing none, we'll move them into the record at this time.

**MR. BEASLEY:** Thank you, sir.

(Exhibits 241 through 245 admitted into the record.)

**CHAIRMAN BRISÉ:** Okay. Are there any other preliminary matters that we need to --

**MS. BARRERA:** Staff is not aware of any.

**CHAIRMAN BRISÉ:** Okay. So at this time we are ready to hear from the parties and, in turn, to hear about the terms and conditions and benefits and challenges with the settlement.

**MR. BEASLEY:** Thank you, sir.

We're pleased to have this opportunity to appear before the Commission in support of the joint motion for Stipulation and Settlement Agreement that the parties have entered into with Tampa Electric and all of the Intervenors, all of whom on Monday indicated their support for the joint motion.

We're also appreciative of the Commission delaying the hearing on Monday and continuing it today so that we can have an opportunity to get with the other, all of the Intervenors and the Commission staff and brief them on the content of the settlement agreement and stipulation to answer any questions they have and to supply any follow-up information that they might need. We met with them for a good portion of the afternoon on Monday. We answered their question, I believe, to the fullest extent and supplied any follow-up information that the staff required.

That being the case, we're here before you today in support of the Stipulation and Settlement Agreement. We believe it is a fair agreement for all affected persons, it's in the public interest, and we urge you to approve it.

We would also like to state again our appreciation for the conduct, the demeanor, the

professionalism, and the civility exhibited by all of the Intervenors during our discussions over the last weeks regarding the stipulation.

And with that, I would like to like to introduce Mr. Szelistowski, who would, at your pleasure, be able to walk through, describe the terms of the agreement, and answer any questions that you may have.

**CHAIRMAN BRISÉ:** Sure. You may go right ahead.

**MR. SZELISTOWSKI:** Good morning. Good morning, Commissioners.

We'd like to thank the Commission for modifying the hearing schedule this week and for taking the time to consider this settlement this morning.

The agreement, as Mr. Beasley mentioned, is an all-party settlement, and we believe it's in the public interest.

We'd also like to thank the staff for their hard work during the course of the rate case, and especially over the last several days as we have discussed with them the details of the settlement agreement. We've been in discussions with the staff since Monday afternoon to answer their questions

regarding the settlement.

This is a straightforward settlement that represents give and take by all the parties. No party to this agreement got everything they wanted, but it is, it is a settlement that is agreeable to all the parties. It's the result of intense negotiations and resolves all the issues in the case.

There are seven major areas of the settlement that I'll walk through and touch upon, and the company will be happy to answer any questions regarding the agreement.

The first item I'd like to mention is the term of the agreement. The term, the term of the agreement starts on November 1st of this year and goes through the end of 2017. An important point regarding the term is the company cannot file for new rates that would be effective prior to January 1st, 2018, except as allowed in the agreement.

The second area concerns the rates themselves. There is a phased-in approach to the rate increase over the term of the agreement. There is an initial $57.5 million increase effective November of 2013, an additional $7.5 million

increase effective November of 2014, and an additional $5 million increase effective November of 2015.

Finally, there is a generation base rate adjustment effective January of 2017 for the Polk Waste Heat Conversion Project. The base rates will remain in effect until -- after the term until changed by the Commission.

The second item is return on equity. The settlement establishes a reasonable return of equity of 10.25% with a potential increase to 10.5% tied to changes in long-term interest rates.

The fourth area is the rate design. And there are a number of rate design issues that are addressed in the agreement, and I'd like to touch on one of those in particular.

The agreement includes an economic development rider to encourage business growth within the Tampa Electric service territory. It's a three-year program with discounts to base demand and energy charges for new and expanded businesses.

There will -- an important point is there will be no impact to customer bills as a result of this rider during the term of the agreement.

The next area I'd like to touch on is

storm damage recovery. There is a provision in the agreement to address storm damage cost recovery, and the agreement provides certainty to customers and to the company for this recovery. The agreement eliminates the current collection of storm recovery money in customer bills and allows collection following storm events.

The sixth area of the agreement concerns the generation base rate adjustment. Excuse me. The agreement contains a generation base rate adjustment that takes effect the later of two dates: When the Polk Conversion Project starts commercial operation or January 1st of 2017. The $110 million base rate increase is less than the revenue requirement filed in the recent Polk determination of need that was considered by the Commission and approved in December of 2012. Without this agreement, the company believes it would be filing a rate case in 2016 for rate recovery of that project.

The last area I'd like to touch on is depreciation. The agreement specifies when the company will be filing its next depreciation and dismantlement study. The company will file this study prior to its next base rate case, with the understanding that depreciation rates will be

considered as part of that next base rate proceeding.

As I mentioned, this is a very straightforward agreement and it provides a number of benefits. It resolves all issues in the case without further litigation. It provides base rate assurance to customers with a four-year period of certainty for customers, the company, and the Commission. It provides a phased-in approach to the rate increase that is fair and reasonable and results in rates that are among the lowest in the state.

It promotes certainty for storm cost recovery and results in the immediate elimination of storm cost recovery in customer -- in the current rates. It avoids the certainty of an additional rate case proceeding in 2016.

And finally, this is an all-party settlement that includes agreement from Tampa Electric; the industrial power users; a local hospital alliance; the Florida Retail Federation; the Federal Executive Agencies; and the Florida Office of Public Counsel, who represents all of Tampa Electric's customers. And we're happy to answer any questions that you have on the details of

the settlement.

**CHAIRMAN BRISÉ:** Thank you.

We'll hear from the Office of Public Counsel.

**MS. CHRISTENSEN:** Good morning, Commissioners.

As we stated on Monday, we fully support the settlement. We think it is a good settlement, we think it's in the public interest, and we believe that it is good for Tampa Electric's customers, which we represent. And we are happy to have participated in the settlement negotiations with Tampa Electric and all the Intervenor parties, and we appreciate the hard work that everyone put into this and the professionalism, as echoed by Tampa Electric, that everyone put into the process so that we had a good give-and-take negotiation. Thank you.

**CHAIRMAN BRISÉ:** All right. Mr. Wright.

**MR. WRIGHT:** Thank you, Mr. Chairman. On behalf of the Florida Retail Federation we strongly support this settlement. It's a fair, balanced settlement that adequately and reasonably and fairly and well balances the interests of all parties. You've heard me say many times that we, we want the companies to have enough money to do their job and

not too much, and we believe the settlement accomplishes exactly that.

And I would also agree with the comments of Ms. Christensen, Mr. Szelistowski, and Mr. Beasley that this was a notably professional, courteous, civil negotiation. We're very proud to support it. Thank you.

**CHAIRMAN BRISÉ:** All right. Ms. Kaufman.

**MS. KAUFMAN:** Thank you, Mr. Chairman, Commissioners.

I'm very happy to be here at this particular point on behalf of FIPUG to say, as the other parties have said, that FIPUG supports this settlement and urges you to approve it. As in every case, give and take, not everyone got what they wanted, but we think on the whole it's fair and we would urge you to approve it.

I'm also authorized to state on behalf of the WCF Hospital Utility Alliance that they also support the settlement as filed and urge you to approve it. Thank you.

**CHAIRMAN BRISÉ:** Thank you. Colonel Fike.

**LIEUTENANT COLONEL FIKE:** Good morning, Mr. Chairman.

First, I just want to thank the Chair for

pausing the proceeding this morning to recognize the moment of silence for the 9/11 attacks.

Coincidentally, one of the primary customers of this rate case is MacDill Air Force Base, the headquarters of both U.S. Central Command and U.S. Special Operations Command. These two commands continue to defend our country against the terrorist attacks like 9/11; they have for the past 13 years and will continue to do so in the future.

The proposed settlement in this rate case is a fair and reasonable settlement for all ratepayers, but particularly it will enable U.S. Central Command and U.S. Special Operations Command to continue to defend our country against the attacks like 9/11, and the FEA strongly urges the Commission to approve the settlement.

**CHAIRMAN BRISÉ:** Thank you.

Commissioners, I think we can begin to deliberate, ask questions at this time.

Commissioner Balbis.

**COMMISSIONER BALBIS:** Thank you, Mr. Chairman. I just have a few questions.

But, first of all, I want to acknowledge and agree with Mr. Beasley's characterization of the settlement as being straightforward, and I think

that this settlement is very clear and concise and very little ambiguities and confusion, and so I want to thank the parties for that. I think it makes it easier for us to deliberate over this settlement.

The first question I have is concerning the effective date of November 1st of 2013. And in looking at my Order Establishing Procedure for the clauses, there were some deadlines for testimony being provided that may have passed. Do you anticipate filing additional testimony for this year's proceeding? Because if this settlement is approved, it would result in a reduction in return on equity, which would result in a reduction in what customers pay for the clause proceedings.

**MR. SZELISTOWSKI:** The company will be filing supplemental schedules on Monday associated with those.

**COMMISSIONER BALBIS:** Okay. And another question for TECO. The ROE adjustment that's triggered with the 30-year Treasury bond, will that trigger additional revenue requirement or are the increases just as specified in the settlement?

**MR. SZELISTOWSKI:** There would be -- if the Treasury bond were, Treasury bond increases were enough to trigger an adjustment to the ROE, it would

not affect the base rates. There would be no base rate adjustment.

**COMMISSIONER BALBIS:** Okay. Just a few more questions on this.

**CHAIRMAN BRISÉ:** Take your time.

**COMMISSIONER BALBIS:** Again, this is a very clear one, so I don't have that many questions as I believe I have a firm understanding of it.

The other question that I have for FIPUG, part of the agreement specifies keeping the interruptible service rate class open for existing customers but not for new customers and still having the GSD rate as well. It's my understanding that of the existing 42 customers, some of them would actually benefit from switching to the GSD rate. Would they still be allowed to do so?

**MS. KAUFMAN:** Mr. Balbis, I haven't been intimately involved in this proceeding. I will give you my understanding, and I'm sure that Mr. Ashburn will correct me.

It is my understanding that customers would be permitted to switch if it was to their benefit.

**COMMISSIONER BALBIS:** Okay. I have a question for staff. And, again, if you'll permit me

to just jump around a little bit so I can get them all out.

**CHAIRMAN BRISÉ:** That's perfectly fine. That's why we're here.

**COMMISSIONER BALBIS:** When we approved Gulf Power's request for utilizing the MDS methodology, in that case there was not information provided that I know gave me consternation and I did not support that, that issue or that item. It's my understanding that there was testimony provided that provided a lot of additional information on MDS methodology, and I would like to know what staff's opinion is in this case on the MDS methodology as to whether or not it's in the public interest.

**MR. DEAN:** Commissioner, you are correct in the Gulf, Gulf situation; there was no staff testimony. I do not think we took a formal position pro or con because it never came to a vote.

In this case we submitted staff testimony I believe for the first time on the subject and we endorsed MDS as an appropriate methodology that had merit to be, to be endorsed. We did in our testimony recommend some changes that were what I would describe of a minimal nature in terms of the ultimate cost impacts, but this is the first time we

have formally endorsed MDS as a -- that has certain conceptual benefits and advantages in assigning costs correctly.

**COMMISSIONER BALBIS:** Okay. Thank you.

And my last question for TECO. With the settlement there are several mechanisms to implement economic development programs, whether it's the scissor tariff or it's the economic development tariff. The question is how much interest do you think there is in those two mechanisms, and what will TECO be doing to encourage, you know, either economic development with companies coming in or staying in TECO's service area and how does this settlement provide you with that flexibility?

**MR. SZELISTOWSKI:** Sure. We are involved with economic development in our territory already. I believe that both the scissor rate that you mentioned as well as the economic development rate further encourages economic development in either expansion or new businesses, and we'll continue to be active in economic development working with, with potential customers coming in as we have. Earlier this year, I believe, I know y'all are aware that we had a fairly large customer. They were looking to relocate or open a facility in the Tampa Bay area.

And we'll continue to work with all of those potential clients and all those, all those potential customers. And, again, we believe that both the scissor as well as the economic development rate will help us do that.

**COMMISSIONER BALBIS:** Okay. Thank you. That's all I had at this time.

**CHAIRMAN BRISÉ:** Okay. Commissioner Edgar.

**COMMISSIONER EDGAR:** Thank you. Excuse me. Thank you, Mr. Chairman. A couple of short questions, I think.

The first is the economic development rider that has been discussed today and is included as a provision in the settlement, was that, was that rider part of the original rate case as filed?

**MR. SZELISTOWSKI:** No, Commissioner, no, it was not. It was brought up during our, during our deliberations or during the discussions with the other parties.

**COMMISSIONER EDGAR:** And clearly -- I'll ask the Intervenors -- that is a provision obviously of this larger compromise document that you are supportive of?

**MR. WRIGHT:** Yes, Commissioner. We

support it. Thank you.

**MS. CHRISTENSEN:** Yes.

**MS. KAUFMAN:** Yes, definitely.

**COMMISSIONER EDGAR:** Thank you.

And I would also ask just for the record -- I know, Ms. Christensen, that you've addressed this generally, but I will ask you more specifically or at least to say it one more time -- from the perspective of your office how is this document in the public interest, and the step increase in particular?

**MS. CHRISTENSEN:** I think, as we've stated, this was a negotiated document. The numbers and the terms and the agreements were negotiated between the parties. We believe that these numbers and the step increase and the terms as they developed through negotiations provide benefit to the customers and that they're fair, they're reasonable, they're based on what the, we believe that the company needs to operate and provide service in the public interest over the terms of the agreement. And we are satisfied with the negotiated agreement in whole that it provides stability and benefits for the customers, and, therefore, we wholeheartedly support the agreement and the terms

as negotiated as a whole package. Thank you.

**COMMISSIONER EDGAR:** Thank you. I appreciate that.

And would just add, I believe we've all said it, but I certainly have and I will again right now, that decisions that we make here that do give additional stability and certainty to the customers as to what costs they can plan on I do believe is in the public interest and is, is a goal that we try to further.

Thank you, Mr. Chairman.

**CHAIRMAN BRISÉ:** Sure.

Commissioner Graham.

**CHAIRMAN GRAHAM:** Thank you, Mr. Chairman.

Staff, can I get you to briefly go over -- let's go back to the MDS methodology. Briefly go over what it was that, the changes that you wanted to make or you thought were different, the tweaks that we spoke, the tweaks that we spoke of yesterday in, in our briefing.

**MR. DEAN:** With your permission, could -- I'm going to let Paul Stallcup, who directly reviewed that information, answer that question.

**CHAIRMAN BRISÉ:** Okay.

**MR. STALLCUP:** Commissioner, Paul Stallcup

with staff.

Staff believes that one component of the three components of the MDS methodology should have been adjusted. It has to do with the measurement of the minimum cost of installed poles in the company's methodology. The poles installed include what we consider to be ancillary costs -- guys, crossbars, and that sort of thing -- that are not necessarily minimum cost, the minimum pole needed to supply service to a customer. And so we had done some calculations indicating that there would be about $2 million reduction in the amount of cost allocated to customers by removing those ancillary costs, and that translates into a customer bill of about 28 cents per month. And so had the proceeding gone forward, that would have, you know, come out in the process.

I would indicate, however, it was also staff's opinion that on balance the MDS methodology is probably appropriate even with that what staff considers a shortcoming included because it does allocate costs more appropriately than the methodology we'd used prior.

**COMMISSIONER GRAHAM:** Thank you.

Well, several things I want to talk about.

Number one, the great appreciation I have for all parties involved, for you guys all coming to the table and coming up with this document. As my fellow Commissioners have already said, it's a very clear document, it makes a lot of sense. I think there's some innovative things that are in there. There's some things that I think help all customers and I think will also help the State of Florida.

The MDS methodology, I was a fan of it when we did it last year with Gulf before staff was onboard; I'm fan of it now. The reason why I wanted them to, to state where they, where they were today is so when we're moving forward, because I know you're not going to be the last utility that asks for it, but I just want for everybody to know closer to where we want to be with the MDS methodology so next time maybe that's part of the deal. I think this is such a good deal now that the last thing I want to do is start monkeying around with it. But I think you understand closer to where staff wants to be on this, especially after they've, they've fed through it all and they've kind of digested and this is probably where they want to be.

But once again, I just want to take my hat off to the effort that you guys put into all this.

I mean everybody. It feels good to sit back and look at the table and see everybody singing *Kumbaya*. That makes my job a whole lot easier. That all being said, thank you very much, Mr. Chairman.

**CHAIRMAN BRISÉ:** Thank you.

Commissioner Brown.

**COMMISSIONER BROWN:** Thank you, Mr. Chairman. And I have just a very few amount of questions because, again, the document is clear, as my colleagues have said.

And I appreciate all of you coming. I'm very pleased with the outcome. And I know there's a clear meeting of the minds here and you all worked very hard and diligently to come up with this document. So I am pleased with the outcome but do have a couple of questions.

Just in general I was curious why TECO and the parties agreed to the November 1st effective date, if anybody has an answer.

**MR. SZELISTOWSKI:** It was part of the general negotiations that we had and it's something that came out of, out of our discussions. And, again, all the parties felt that that was appropriate overall in the settlement.

**COMMISSIONER BROWN:** Okay. I didn't know

if there was any -- it's somewhat unconventional to have it be effective, the implementation date, you know, midyear, the latter part of the year, so I was just curious about that.

And on paragraph 9, if you could turn to -- it's kind of in the middle of the page. I'm sorry. Page 9, and at the top of the page it starts off, the paragraph starts off, so it's towards the end of that, it says, "This Paragraph 4," is where it begins, "does not preclude Tampa Electric from seeking clause recovery of a type of cost (and for the same or similar reasons) not heretofore recovered through a clause which the Commission or the Legislature authorizes or has authorized another electric utility," and then it goes on. I got a little confused by that and what the intent means. If you could clarify that.

**MR. SZELISTOWSKI:** Sure. I'd be happy to. Thank you, Commissioner.

The intent of this paragraph is, is essentially that if other utilities are allowed to collect under a clause, either an existing clause or a new clause, a certain type of recovery, that Tampa Electric in fairness be treated the same way. That Tampa Electric would not be the first out of the

gate to pursue something new in a clause or a new clause. But, again, if the Commission rules for another utility to be allowed to collect something under an existing or new clause, that Tampa Electric would have that same treatment.

**COMMISSIONER BROWN:** Can you give me an example?

**MR. SZELISTOWSKI:** Sure. There's been a lot of discussion about cyber security and increasing rules and laws associated with cyber security. And if the Commission decides at some point that those costs are appropriately collected through an existing clause or a new clause and it allows one of the other utilities in the state to collect for those costs through a clause, that Tampa Electric would be allowed to file for recovery of those same type of costs through the clause. It doesn't preclude any of the parties from participating and disagreeing, but it does allow us -- it doesn't forbid us from pursuing that type of recovery.

**COMMISSIONER BROWN:** Okay. Thank you very much for that clarification. That helps.

And then I just wanted to point out to the parties there's a minor scrivener's error on page

17. I don't want to highlight it, but I would -- when the, when the time is right, if there are any other additional scrivener's errors, I would, you know, appreciate the parties making that modification so that it's clear. It's in the middle part of the sentence when it refers to the settlement agreement.

**MR. SZELISTOWSKI:** Thank you.

**COMMISSIONER BROWN:** And, again, I want to -- I have to thank the parties for coming up with this settlement agreement to us. You know, and all along the process, as we said before, it's just been a very smooth process and I appreciate having an opportunity to digest the settlement agreement, confer with staff. And, again, it's very clear-cut and thank you for that.

**CHAIRMAN BRISÉ:** Commissioner Balbis.

**COMMISSIONER BALBIS:** Thank you.

I had another question that was brought up with Ms. Christensen's response to Commissioner Edgar's questions about the GBRA.

The only minor unknown in this settlement agreement is the waste heat recovery project. And I do understand that the costs that were associated with that project that were part of the need

determination were less than the $110 million in revenue requirements.

How comfortable is the Office of Public Counsel with that $110 million in revenue requirement that is not more than is needed for the project? And if it is, are there any protections?

**MS. CHRISTENSEN:** Well, Commissioner, the $110 million is a black box number. There is a provision in the agreement, as with most of these types of agreements, that if the earnings fall below a certain threshold, that the company would have the opportunity to come and request a rate change. And we would expect that if that were the case, that if they fell below the earnings threshold, they would have to make the decision whether or not they wanted to file for a rate case. So I think there is, of course, that provision which allows for some safeguard to the company.

And for the consumers, we have the comfort that if they overearn, the same provision allows us to come in and ask the Commission to take a look at them from an overearnings perspective. So it has that provision in there. So the $110 million was a black box negotiated number, and there's the protection of the other provision.

**COMMISSIONER BALBIS:** Okay. Thank you. And that gives me comfort in that in this settlement agreement we know what the customers are getting and we've gone through an analysis as to what the project should cost previously and it was approved by this Commission, and with those protections I feel that gives me adequate comfort. So thank you.

**CHAIRMAN BRISÉ:** Okay. Thank you.

I have sort of a question, I guess it would be, maybe something you all can clarify for me. With the Polk generation base adjustment, the GBRA component of the settlement, what happens if the project is not online by January 1, 2017?

**MR. SZELISTOWSKI:** Sure. Chairman, I'd be happy to answer that.

The actual rates would go into effect the later of two dates: Either January 1st, 2017, or the commercial operation of the plant. So, for instance, if the plant, commercial installation date ends up being February 1st of 2017, that's when the GBRA would go in effect and rates would be collected.

**CHAIRMAN BRISÉ:** Okay. So then, so then just so that everyone is clear, it's not a dead date of, drop-dead date of January 1, 2017. It's

whenever the project actually comes to completion.

**MR. SZELISTOWSKI:** The later of those two dates. So, so if it comes in earlier than January 1st, 2017, we would not collect until January 1st, 2017.

**CHAIRMAN BRISÉ:** Perfect.

My colleagues have asked a lot of questions; some of them I wanted to ask but they asked.

I too want to express my appreciation for all the parties coming together and working to reach a settlement that is clear, concise, and to me seems to be in the public interest. And from my perspective, I think we are in the posture of maybe continuing the conversation or in the posture to take action. I think there's a couple of options in terms of taking action. We can take action right now, or if we need a few minutes to, to sort of take a second look at it and, and we come back and take action. But that would be completely up to my fellow Commissioners. Either option is viable to me.

Commissioner Brown.

**COMMISSIONER BROWN:** Thank you, Mr. Chairman. And I've had a lot of time to review it,

I've read it several times. I'm very familiar with the prefiled testimony, with the rate case itself. I feel very comfortable being in a posture to vote on the settlement agreement.

And, and I would like to say some of the reasons why I support the settlement agreement, there are, there are several adequate and favorable safeguards incorporated into the settlement agreement that protect the customers' interests.

First I want to point out the certainty with the lower ROE by over a hundred -- by a hundred basis points, which is equivalent to $30 million, from what TECO is currently authorized to earn, and they're not earning that currently.

The four-year stay out provision from filing another rate case I think is very favorable -- four years, two months. The rate case amortization being spread out over a longer period of time protects the customers. And I like the annual storm accrual being discontinued; it saves customers $8 million a year.

So for all these reasons -- you know, I know there's never a right time to file for a rate case. I think this settlement agreement really minimizes the rate impact for customers, so I would

support --

**CHAIRMAN GRAHAM:** Was that a motion?

**COMMISSIONER BROWN:** I'll wait.

**CHAIRMAN BRISÉ:** Thank you.

Commissioner Edgar.

**COMMISSIONER EDGAR:** Thank you, Mr. Chairman.

And, as almost always, I agree with everything that Commissioner Brown has just stated. I do, as I said earlier, believe that this agreement offers certainty and rate stability. I very much see concessions within the document from the positions that were stated by all of the parties as this proceeding was moving through the process. And I also thank everyone for their, their good work and their dedicated work.

I -- if there -- if one of my colleagues does need additional time, I would be comfortable offering that courtesy; however, with the time that we have had, I know I've met with staff. I think that we all did. I know that staff had additional conversations with the parties. I also believe that the exhibits that were entered into the record today offer additional clarifying backup into the record.

So, Mr. Chairman, if you're amenable, I

would move that we approve the Stipulation and Settlement Agreement as it is before us today and will put that motion out there for further discussion.

**CHAIRMAN BRISÉ:** Okay. I guess moved and seconded.

Commissioner Balbis.

**COMMISSIONER BALBIS:** Thank you, Mr. Chairman.

I, too, am ready to vote on this issue and I do support this settlement agreement. I just want to point out and summarize why this, this settlement agreement is, is clearly in the public interest.

We have all the parties that have agreed to it, and it's clear to me that the parties have each negotiated valuable components that benefit each party to make it favorable as a whole. You know, the fact that the -- I assume the Office of Public Counsel negotiated that the customers would be paying less than half of what TECO originally asked for in the first increase shows me that there were some major concessions made, which helped me in deliberating on this decision.

The other aspects of the settlement agreement that I, that I like, and it's something

that I believe from the comments of my fellow Commissioners they like as well, is the fact that it does provide flexibility for TECO to initiate economic development programs, have two tariffs that, that they have the flexibility to modify to encourage jobs to be created, businesses to come into TECO's service territory, and with the provision that the other customers will not be subsidizing it. So that is a very important component in this settlement agreement. And I don't know who negotiated for it, but I want to thank them for that.

It's a very clear settlement, it's very concise, very straightforward. I think that allows us to vote on this with the comfort knowing all of the aspects of the settlement agreement. I think there are very little unknowns, and if there are some, there are protections in place. So I fully support the settlement agreement, and I want to thank all of the parties.

**CHAIRMAN BRISÉ:** All right. Thank you.

Before we vote, I think there, there's the issue of the T-bond and addressing where that number is when we, we look at that number and so forth. If staff could address that.

**MS. BARRERA:** Yes, Commissioner.

There is an additional exhibit that will be filed with the Clerk by close of business tomorrow, September 12. The exhibit is a letter from Tampa Electric establishing the benchmark rate referred to in page 3, paragraph 2B of the Stipulation and Settlement Agreement. The letter will contain the 30-year United States Treasury Bond yield rate as of September 11th, 2013. It will contain the source of the information of the yield rate and a statement that all parties agree to the stated benchmark. That exhibit will be numbered --

**CHAIRMAN BRISÉ:** 246.

**MS. BARRERA:** 246, yes.

(Late-Filed Exhibit 246 identified for the record.)

**CHAIRMAN BRISÉ:** All right. Thank you. I just wanted to make sure that that was clear. And if we need to amend the motion to, to take that into account, we can do that at this time.

**COMMISSIONER EDGAR:** So, Mr. Chairman, just procedurally so I am clear, all of the parties are, have offered in or agreed to the document you have described being a late-filed amendment that would come into the record tomorrow?

**CHAIRMAN BRISÉ:** Yes.

**MS. BARRERA:** Yes, Commissioner. At Monday's meeting it was discussed that -- TECO can explain it -- but it was discussed that the benchmark to be established would facilitate all the parties to be able to determine what action they would take should the yield raise to such a point that they need to change.

**COMMISSIONER EDGAR:** I understand substantively and I appreciate that. I just wanted to make sure I was clear on what the status of the record would be when we, perhaps, conclude today. And I believe that that comports with the motion as made.

**CHAIRMAN BRISÉ:** Perfect. Thank you.

With that, I think we are in the appropriate posture for a vote. All in favor.

(Vote taken.)

Any opposed? Seeing none, I want to thank everyone for their participation and their hard work with this docket. I also want to thank our Prehearing Officer for her hard work. It's always nice when you can help people get to a point of negotiation. So we thank you for your hard work.

Commissioner Balbis, I saw you flickering

your light.

**COMMISSIONER BALBIS:** That was a flicker. But you appropriately thanked our Prehearing Officer because I think we all know the amount of work it takes to get to this point for a regular rate case, and to have all the parties be able to have a constructive, professional demeanor I think is a reflection of the process leading to this point. So I wanted to make sure you thanked her for that.

**CHAIRMAN BRISÉ:** All right. Thank you.

Okay. With that, I once again want to thank everyone. I want to thank our staff for, for working so diligently over the weekend and so forth so that we can have all the information that we needed to, to arrive at this point today. And so with that, we stand adjourned.

(Proceeding concluded at 10:20 a.m.)

STATE OF FLORIDA )
: CERTIFICATE OF REPORTER
COUNTY OF LEON )

I, LINDA BOLES, CRR, RPR, Official Commission Reporter, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

IT IS FURTHER CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript constitutes a true transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorney or counsel connected with the action, nor am I financially interested in the action.

DATED THIS 12th day of September 2013.

Linda Boles

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