

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: November 13, 2014

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Economics (Garl) *Garl* *J.W.A.*
Office of the General Counsel (Janjic) *Janjic*

RE: Docket No. 140184-EI – Petition for approval of revised facilities rental agreement by Tampa Electric Company.

AGENDA: 11/25/14 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Brown

CRITICAL DATES: 60-Day Suspension Date Waived until 11/25/14

SPECIAL INSTRUCTIONS: None

RECEIVED-FPSC
14 NOV 13 AM 10:07
COMMISSION
CLERK

Case Background

On September 23, 2014, Tampa Electric Company (TECO or the company) filed a petition requesting approval of revisions to the facilities rental agreement contained in its tariff. The proposed revisions address replacements due to equipment failure, changes to the in-place value of equipment, billing of maintenance cost, and other non-substantive changes.

The Commission last reviewed TECO's facilities rental agreement on January 21, 2003.¹ The company waived the 60-day file-and-suspend provisions of Section 366.06(3), Florida Statutes (F.S.), for an additional 3 days until November 25, 2014. On October 30, 2014, TECO responded to staff's data request. The Commission has jurisdiction over this matter pursuant to Section 366.06, F.S.

¹ See Order No. PSC-03-0116-TRF-EI, issued January 21, 2003, in Docket No. 021139, In re: Petition for approval of revised facilities rental agreement and revised tariff by Tampa Electric Company.

Discussion of Issues

Issue 1: Should the Commission approve TECO's revisions to its facilities rental agreement?

Recommendation: Yes. TECO's proposed revision to its facilities rental agreement should be approved. (Garl)

Staff Analysis: The facilities rental agreement (agreement) is a contract that allows customers to lease distribution equipment such as transformers from TECO. The monthly rental charge under the contract is calculated by multiplying the in-place value of the facilities by a Commission-approved monthly rental factor of 1.19 percent,² and covers equipment and installation costs. The term of the agreement is 20 years. Customers wishing to terminate the agreement early are required to pay a termination fee computed by applying a termination factor to the in-place value of the facilities based on the year in which the agreement is terminated.

The development of the monthly rental factor and the termination factors are based on assumptions of the book and tax life of distribution equipment, property tax, insurance, and the capital structure and cost of equity. The factors reflect the cumulative present value of revenue requirements levelized over the remaining life of the distribution plant.³

The proposed revisions to the agreement address three elements: (1) in-place value of replaced equipment, (2) synchronizing the agreement term and early termination factor, and (3) billing of maintenance costs. Each element is discussed below. The proposed tariff sheet revision (type-and-strike version) is shown in Attachment 1. The revised agreement will be a prospective change and will not affect agreements currently in effect.

In-place value of replaced equipment

TECO's current agreement does not address the value of equipment replacement resulting from equipment failure within the 20-year term. The company proposed a new provision under which the in-place value of the equipment will be increased by the installed cost of the replacement equipment and reduced by the in-place value of equipment being removed. The proposed language is very similar to the language contained in Florida Power & Light Company's Commission approved tariff (Facilities Rental Service Agreement and Facilities Rental Agreement for Distribution Substation Equipment). The current agreement provides that when TECO replaces or modifies the rented equipment at the company's option, no changes will be made to the in-place value of the equipment.

Synchronizing the term and termination factor

The current agreement includes an early termination factor for each year of the 20-year term ensuring full cost recovery of the equipment. TECO proposed restarting the 20-year term of the agreement with each change to the in-place value of the equipment being rented whether

² See Order No. PSC-13-0443-FOF-EI, issued September 30, 2013, in Docket 130040-EI, In re: Petition for rate increase by Tampa Electric Company.

³ See Order No. PSC-09-0283-FOF-EI, issued April 30, 2009, in Docket 080317-EI, In re: Petition for rate increase by Tampa Electric Company.

that change is due to additional equipment being installed or existing equipment being modified or replaced. By restarting the term of the agreement, the term and the termination factors will remain synchronous and will ensure full cost recovery of the new equipment in the event of early termination by a customer.

Billing of maintenance costs

Under the current agreement any facilities maintenance or repairs provided by TECO is priced at cost and billed to the customer separate from the monthly rental charge. TECO proposed to eliminate this maintenance billing provision and may propose to increase the rental charge to include the cost of average monthly maintenance in a future rate proceeding. The current Commission-approved monthly rental factor does not include maintenance/repair cost. However, the company is not proposing to increase the monthly rental factor at this time pursuant to the 2013 Stipulation and Settlement Agreement approved by the Commission in TECO's 2013 rate case. The Settlement provides that Tampa Electric cannot file for new rates that would be effective prior to January first 2018, except under very limited circumstances.⁴ TECO explained that when outages of this type of equipment occur it is most frequently the result of failed equipment that must be replaced and regular maintenance is infrequent.

Conclusion

Staff has reviewed TECO's proposed revisions and believes they are appropriate. Staff therefore recommends approval of TECO's revisions to its facilities rental agreement.

⁴ See Order No. PSC-13-0443-FOF-EI, issued September 30, 2013, in Docket 130040-EI, In re: Petition for rate increase by Tampa Electric Company.

Issue 2: Should this docket be closed?

Recommendation: Yes. If Issue 1 is approved, and a protest is filed within 21 days of the issuance of the order, the tariff should remain in effect, with any increase in revenue collected held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order. (Janjic)

Staff Analysis: If Issue 1 is approved, and a protest is filed within 21 days of the issuance of the order, the tariff should remain in effect, with any increase in revenue collected held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order.



~~SECOND-THIRD~~ REVISED SHEET NO. 7.760
CANCELS ~~FIRST-SECOND~~ REVISED SHEET NO. 7.760

FACILITIES RENTAL AGREEMENT

This Agreement is made this _____ day of _____, _____, by and between _____ (hereinafter called the "Customer"), located at _____ in _____, Florida, and Tampa Electric Company, a corporation organized and existing under the laws of the State of Florida (hereinafter called the "Company").

WITNESSETH:

WHEREAS, the Customer has requested to rent from the Company certain facilities consisting in summary of _____ (hereinafter collectively called the "Facilities") located at _____ for the purpose of _____ and

WHEREAS, the Company is willing to rent such Facilities upon the terms and conditions specified herein;

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements herein set forth, the parties hereto set forth, the parties hereto covenant and agree as follows:

1. The Company will provide, install or otherwise make available, own, operate and ~~maintain-repair~~ the Facilities described in this Agreement.
2. As consideration for furnishing the Facilities, the Customer shall pay to the Company a monthly rental charge covering equipment and installation costs. The monthly rental charge shall be calculated by multiplying the in-place value of the Facilities, determined pursuant to Paragraphs 3 and 4 of this Agreement, by the applicable Monthly Rent Factor set forth in Tariff Sheet No. 7.765 (Appendix A), which is attached to and made a part of this Agreement, or any successor or substitute schedule which may become effective ~~by~~ upon its filing with ~~or otherwise approved and approval by~~ the Florida Public Service Commission (hereinafter ~~called~~ the "Commission"). Based on the in-place value of the Facilities and the Monthly Rental Factor in effect at the initiation of this Agreement,

Continued to Sheet No. 7.761

ISSUED BY: ~~J. B. Ramil~~ G. L. Gillette,
President

DATE EFFECTIVE: ~~January 7, 2003~~



~~FIRST SECOND REVISED SHEET NO. 7.761~~
~~CANCELS ORIGINAL FIRST REVISED SHEET NO. 7.761~~

Continued from Sheet No. 7.760

the monthly charge for the rental of Facilities is \$_____. This monthly rental charge may change from time to time upon modification of either or both the Monthly Rental Factor set forth on Tariff Sheet No. 7.765 (Appendix A), (or any successor or substitute schedule) or the in-place value of the Facilities in accordance with Paragraph 4.

3. The initial in-place value of the Facilities is _____. This initial in-place value of the Facilities is based upon the agreed installation cost of new Facilities or the replacement cost of the existing Facilities, as set forth on Tariff Sheet No. 7.770 (Appendix B), which is attached to and made part of this Agreement. Regardless of the initial in-place value of the Facilities shown on Appendix B; the in-place value of the Facilities may change consistent with the terms and conditions of Paragraph 4.
4. Changes in the in-place value of Facilities shall alter the monthly rental charges calculated pursuant to and shown in Paragraph 2 and shall be recognized in the calculation of the Termination Fee specified in Paragraph 5; ~~however, changes in the in-place value of the Facilities shall not otherwise alter the terms of this Agreement.~~ Changes in the in-place value of the Facilities shall be made as follows:
 - a. When mutually agreed, additional Facilities (hereinafter called "Additional Facilities") may be installed and the in-place value set forth in Paragraph 3 shall be increased by the installed cost of the Additional Facilities.
 - b. When mutually agreed, a portion of the Facilities or Additional Facilities may be removed and the in-place value set forth in Paragraph 3 shall be adjusted to reflect such removal. The Company may require a contribution by the customer to compensate for the undepreciated portion of the Facilities or Additional Facilities to be removed, less salvage, plus removal costs.
 - c. When requested by the Customer, and when mutually agreed, the Facilities or Additional Facilities may be modified by the Company. The in-place value set forth in Paragraph 3 will be adjusted in accordance with the procedures stated in 4a and 4b above.

Continued to Sheet No. 7.762

ISSUED BY: ~~J. B. Ramil~~ G. L. Gillette,
President

DATE EFFECTIVE: ~~February 22, 2000~~



~~SECOND-THIRD REVISED SHEET NO. 7.762~~
~~CANCELS FIRST-SECOND REVISED SHEET NO. 7.762~~

Continued from Sheet No. 7.761

- d. When the Facilities or Additional Facilities are replaced or modified at the Company's option unrelated to mechanical or electrical failure, no change in the in-place value will be made.
- e. When the Facilities are replaced (in whole or in part) due to mechanical and/or electrical failure, the in-place value in Paragraph 3 will be increased by the installed cost of the replacement facilities (hereinafter called Replacement Facilities) and reduced by the previously established in-place value of the Facilities being replaced.
- ~~5.~~ As consideration for maintaining the facilities, the Customer shall reimburse the Company for the cost of required maintenance performed by Tampa Electric or a company approved contractor. Maintenance shall be priced at cost and billed to the Customer as incurred, separate from the monthly rental charge.
- ~~65.~~ The term of this Agreement shall be 20 years from the later of the in-service date of the Facilities, the in-service date of the latest Additional Facilities or the in-service date of the latest Replacement Facilities; however, either the Company or the Customer may terminate this Agreement upon 90 days advance written notice. If the Customer ceases to receive its electrical energy requirements from the Company or chooses to terminate this Agreement for any other reason, it shall be responsible for, and shall pay to the Company a Termination Fee calculated in accordance with Tariff Sheet No. 7.765, set forth as Appendix A, as currently approved or as may be modified from time to time by the Commission.
- ~~76.~~ On the Termination of this Agreement, or in the event that the Customer fails to make rental payments in a timely fashion, then and in each of those events, at the option of the Company, the Facilities may be removed by the Company and removal costs may be charged.
- ~~87.~~ This Agreement may be assigned only with the prior written consent of the Company.
- ~~98.~~ The Company is hereby granted an easement over the premises upon which the equipment is to be installed for ingress and egress and for installation, inspection, maintenance, and removal of the Company's equipment. In no event shall the Customer, or anyone acting under the authority of the Customer, place upon or attach to any of the Company's equipment any sign or device of any nature whatsoever, or place, install or permit to exist, anything, including trees or shrubbery, in such close proximity to the Company's equipment as to interfere

ISSUED BY: ~~J. B. Ramil~~ G. L. Gillette,
President

DATE EFFECTIVE: ~~January 7, 2003~~



~~SECOND-THIRD REVISED SHEET NO. 7.762~~
CANCELS ~~FIRST-SECOND REVISED SHEET NO. 7.762~~

with such equipment or tend to create a dangerous condition. The Company is hereby granted the right to forthwith remove anything placed, installed or existing in violation of this paragraph.

Continued to Sheet No. 7.763

ISSUED BY: ~~J. B. Rami~~ G. L. Gillette,
President

DATE EFFECTIVE: ~~January 7, 2003~~



~~FOURTH-FIFTH~~ REVISED SHEET NO. 7.763
CANCELS ~~THIRD-FOURTH~~ REVISED SHEET NO. 7.763

Continued from Sheet No. 7.762

~~409~~. This Agreement supersedes all previous agreements or representations, either written or oral, heretofore in effect between the Company and the Customer, made in respect to matters herein contained and, when duly executed, this Agreement constitutes the entire Agreement between the parties hereto.

~~410~~. Except for those claims, losses and damages arising out of Company's sole negligence, the Customer agrees to defend, at its own expense, and indemnify the Company for any and all claims, losses and damages, including attorney's fees and costs, which arise or are alleged to have arisen out of operation of or damage to the Facilities. For purposes of this paragraph, "Company" shall be defined as Tampa Electric Company, its parent, TECO Energy, Inc., and all subsidiaries and affiliates thereof, and each of their respective officers, directors, affiliates, insurers, representatives, agents, employees, contractors, or parent, sister, or successor corporations.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed the day and year first above written.

Witnesses for the Customer:

Customer

By _____

Title _____

Attest _____

Title _____

Witnesses for the Company:

Tampa Electric Company

By _____

Title _____

ISSUED BY: G. L. Gillette, President

DATE EFFECTIVE: November 1, 2013