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October 3, 2017

VIA ELECTRONIC FILING

Ms. Carlotta S. Stauffer  
Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

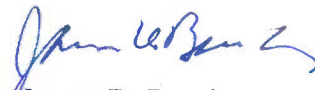
Re: Petition by Tampa Electric Company for a limited proceeding to approve 2017 Amended and Restated Stipulation and Settlement Agreement, Docket No. 20170210-EI; Tampa Electric Company's Petition for Approval of Energy Transaction Optimization Mechanism, Docket No. 20160160-EI

Dear Ms. Stauffer:

Attached for filing in the above proceedings is a slide presentation regarding the 2017 Tampa Electric Company Settlement Agreement and a two-page document containing bullet points summarizing the Agreement.

Thank you for our assistance in connection with this matter.

Sincerely,

  
James D. Beasley

JDB/pp  
Attachment

cc: J. R. Kelly/Charles Rehwinkel (w/attachment)  
Jon C. Moyle, Jr. (w/attachment)  
Robert Scheffel Wright (w/attachment)  
Thomas Jernigan (w/attachment)  
Mark Sundback (w/attachment)  
Kenneth L. Wiseman (w/attachment)



# 2017 TEC Settlement Agreement

## Same parties to this settlement that participated in 2013 Tampa Electric rate case settlement

1. Office of Public Counsel – OPC
2. FL Industrial Power Users Group – FIPUG
3. Florida Retail Federation – FRF
4. West Central FL Hospital Association – WCFHA
5. Federal Executive Agencies – FEA

In addition, two environmental groups are supportive:

1. Southern Alliance Clean Energy – SACE
2. Sierra Club

# Some Provisions of Settlement Agreement

1. Continue existing stay-out through 12/31/2021 – 4 more years
2. Implementation of SoBRA:
  - 600 MW utilizing traditional tax normalization to take advantage of ITC that begins phasing out after 2019
    - 150 MW Sept 2018
    - 150 MW Jan 2020
    - 250 MW(+2%) Jan 2019
    - 50 MW\* Jan 2021
  - Cost-effective requirement – by tranche
  - Cost cap \$1,500 / KW – Sharing of benefits 75/25 if costs are lower than the cap.

(\*50 MW in 2021 conditional on costs for first 400 MW coming in below \$1475/KW)

3. Moratorium on hedging and investments in gas reserves – 5 Years
4. Tax reform provision
5. Wholesale sales incentive mechanism
6. Depreciation – Continue existing depreciation rates even if large assets are retired. (e.g., Big Bend units, AMR meters)

# Settlement Agreement – Other Provisions

- Maintains existing ROE trigger that allows ROE to increase 25 basis points if interest rates increase
- 54% equity ratio for SoBRA calculations; actual equity ratio for ESR; actual equity ratio (capped at 54%) for clauses, triggering an exit from 2017 agreement, or calculating interim rates
- Incremental sources of capital for SoBRA calculation
- Storm cost recovery provisions from 2013 Settlement – (If storm costs deplete the reserve it can be replenished to 2013 levels - ~\$55.8M)
- Increase in Standby Generator program credit from \$4.75/KW/month to \$5.35/kW/month
- Increase in CCV (interruptible customer) credit from \$9.98/kW/month to \$10.23/kW/month starting January 2018



# Cost-Effectiveness Test

Modeled after FPL's – Only consideration is whether the projects in the tranche will lower the company's projected system cumulative present value revenue requirements (CPVRR) as compared to CPVRR without the solar projects.

The first tranche scheduled to go in-service on September 1, 2018 would be addressed by a separate filing to be made later this year.

A separate filing for cost-effectiveness will be made for each subsequent tranche as a stand-alone docket at the time of the fuel filing each year (around September 1). Approval at the same time of the fuel hearings in early November.

# Rate Design

Allocation of SoBRA base revenue requirement will use the 12 CP and 1/13<sup>th</sup> method with one adjustment:

- Lighting will recover 40% of their allocated revenue requirement with remainder recovered from the other classes

Rate design for SoBRA base revenue requirement recovery:

- Lighting 40% will be recovered through base energy charge only, not fixture charges
- For rate schedule that have demand rates, the allocated SoBRA base revenue requirement will be recovered through increase to demand rates only
- For Standby rate schedules, no recovery of SoBRA base revenue requirement from standby demand charges, only from supplemental demand charges

# Rate Impacts

## Residential at 1,000 kWh

	Actual 2017	Forecast 2018	Forecast 2019	Forecast 2020	Forecast 2021
<u>Rates (w/Fuel and cap)</u>					
Difference		\$0.58	\$3.10	\$4.33	\$4.21
 Rates (Excl. Fuel and cap)					
Difference		\$0.58	\$4.71	\$6.50	\$7.10



Tampa Electric Company  
2017 Agreement

- Parties: Tampa Electric, OPC, FIPUG, FRF, FEA, HUA, with separate statement of support by SACE.
- The 2017 Agreement – by and large a four year (2018-2021) extension of the 2013 Settlement Agreement.
- Four year rate freeze (with exceptions discussed below) through 2021 with same ROE and similar cap structure as in the 2013 Agreement.
- SoBRA in 2017 Agreement takes place of GBRA in 2013 Agreement.
- SoBRA (2018-2021), as follows:

Year	Earliest Rate Change And In-Service Date	Maximum Incremental SoBRA MW	Maximum Incremental Annualized SoBRA Revenue Requirements (millions)	Maximum Cumulative SoBRA MW	Maximum Cumulative Annualized SoBRA Revenue Requirements (millions)
2018	September 1	150	\$30.6 <sup>1</sup>	150	\$30.6
2019	January 1	250	\$50.9	400	\$81.5
2020	January 1	150	\$30.6	550	\$112.1
2021	January 1	50	\$10.2	600	\$122.3 <sup>2</sup>

- Installed Cost Cap - \$1,500/kW<sub>ac</sub> (lowest of recently approved and proposed SoBRAs).
- Incentive to minimize installed cost – 75% / 25% (customer/company) sharing of cost differential below \$1,500/kW<sub>ac</sub>.
- Additional incentive – If first 400 MW (subject to a 2% variance) have installed cost of \$1,475/kW<sub>ac</sub> or less Tampa Electric can add final 50 MW of the maximum 600 MW (subject to same \$1,500/kW<sub>ac</sub> cost cap).
- Cost effectiveness test like that approved for FPL SoBRA.
- Provision to capture potential federal income tax revision for benefit of customers.

<sup>1</sup> The annual revenue requirement is approximately \$30.6 million, however, since the first 150 MW Tranche is scheduled to come online September 1, 2018, the revenue requirements collected would be four months of the annual revenue requirements, or \$10.2 million.

<sup>2</sup> The 2021 Tranche can be included in and its costs recovered under the SoBRA mechanism only if the projects constituting the 2018 and 2019 Tranches in this table are in-service and operating per design specifications as of December 31, 2019, and were constructed at an average capital cost of no more than \$1475 per kW<sub>ac</sub>.

- Five year moratorium on financial hedging of natural gas prices – through December 31, 2022.
- No recovery of oil/gas exploration, production, etc. costs for five years.
- Requests Commission approval of incentive mechanism like that pending for Tampa Electric in Docket No. 2016010-EI, but with higher thresholds than the Company had proposed.
- Slight increases in standby generator and Contracted Credit Value (“CCV”) credits.
- Carry-over provisions applicable from 2013 Agreement:
  - Named storm damage cost recovery.
  - ROE adjustment if Treasury Bond rates exceed a trigger threshold.
  - Continuation of Economic Development Rider.
- Straightforward, uncomplicated Agreement.
- Fair to all, bringing an increased focus on clean solar power, zero-cost fuel, reduced carbon footprint, with minimal cost to customers. All-in, estimated one percent cost increase to residential customer (\$1.00 per 1,000 kWh).