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October 2, 2018

VIA: ELECTRONIC FILING

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

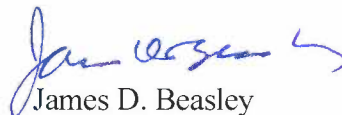
Re: Fuel and Purchased Power Cost Recovery Clause with Generating
Performance Incentive Factor; FPSC Docket No. 20180001-EI

Dear Ms. Stauffer:

Attached for filing in the above docket is Tampa Electric Company's Prehearing Statement.

Thank you for your assistance in connection with this matter.

Sincerely,


James D. Beasley

JDB/pp
Attachment

cc: All Parties of Record (w/attachment)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Fuel and Purchased)
Power Cost Recovery Clause)
And Generating Performance)
Incentive Factor.)
_____)

DOCKET NO. 20180001-EI

FILED: October 2, 2018

**TAMPA ELECTRIC COMPANY'S
PREHEARING STATEMENT**

A. APPEARANCES:

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Tallahassee, Florida 32302

On behalf of Tampa Electric Company

B. WITNESSES:

<u>Witness</u>	<u>Subject Matter</u>	<u>Issues</u>
(Direct)		
1. Penelope A. Rusk (TECO)	Generic Fuel Adjustment Issues Adjustment Factors	6, 7, 8, 9, 10, 11
	Fuel Factor Calculation Issues	18, 19, 20, 21, 22
	Generic Capacity Cost Recovery Factor Issues	27, 28, 29, 30, 31, 32 33
	Effective Date	34, 35
2. Brian S. Buckley (TECO)	Generic Generating Performance Incentive Factor Issues	15A, 15B, 16, 17
	Fuel Factor Calculation Issues	18
3. Benjamin F. Smith (TECO)	Fuel Factor Calculation Issues	18

	Generic Capacity Cost Recovery Factor Issues	31
4. Brent C. Caldwell (TECO)	Company-Specific Fuel Adjustment Issues	5A
	Fuel Factor Calculation Issues	18

C. EXHIBITS:

<u>Exhibit</u>	<u>Witness</u>	<u>Description</u>
<u> </u> (PAR-1)	Rusk	Final True-up Capacity Cost Recovery January 2017 - December 2017
<u> </u> (PAR-1)	Rusk	Final True-up Fuel Cost Recovery January 2017 – December 2017
<u> </u> (PAR-1)	Rusk	Actual Fuel True-up Compared to Original Estimates January 2017 – December 2017
<u> </u> (PAR-1)	Rusk	Schedules A-1, A-2 and A-6 through A-9 and A-12 January 2017 – December 2017
<u> </u> (PAR-1)	Rusk	Capital Projects Approved for Fuel Clause Recovery January 2017 – December 2017
<u> </u> (PAR-2)	Rusk	Actual/Estimated True-Up Fuel Cost Recovery January 2018 – December 2018
<u> </u> (PAR-2)	Rusk	Actual/Estimated True-Up Capacity Cost Recovery January 2018– December 2018
<u> </u> (PAR-2)	Rusk	Capital Projects Approved for Fuel Clause Recovery January 2018 – December 2018
<u> </u> (PAR-3)	Rusk	Projected Capacity Cost Recovery January 2019 – December 2019
<u> </u> (PAR-3)	Rusk	Projected Fuel Cost Recovery January 2019 – December 2019
<u> </u> (PAR-3)	Rusk	Levelized and Tiered Fuel Rate January 2019– December 2019

<u> </u> (PAR-3)	Rusk	Capital Projects Approved for Fuel Clause Recovery January 2019 – December 2019
<u> </u> (BSB-1)	Buckley	Final True-Up Generating Performance Incentive Factor January 2017 – December 2017
<u> </u> (BSB-1)	Buckley	Actual Unit Performance Data January 2017 – December 2017
<u> </u> (BSB-2)	Buckley	Generating Performance Incentive Factor Correction-Actual Results and Targets January 2014 – December 2016
<u> </u> (BSB-2)	Buckley	Generating Performance Incentive Factor Correction- Targets January 2017 – December 2018
<u> </u> (BSB-3)	Buckley	Generating Performance Incentive Factor January 2019 – December 2019
<u> </u> (BSB-3)	Buckley	Summary of Generating Performance Incentive Factor Targets January 2019 – December 2019
<u> </u> (JBC-1)	Caldwell	Final True-Up Hedging Activity Report January 2017 – December 2017
<u> </u> (JBC-2)	Caldwell	Natural Gas Hedging Activity Report January 2018 – July 2018

D. STATEMENT OF BASIC POSITION

Tampa Electric Company's Statement of Basic Position:

The Commission should approve Tampa Electric's calculation of its fuel adjustment, capacity cost recovery and GPIF true-up and projection calculations, including the proposed fuel adjustment factor of 2.715 cents per kWh before any application of time of use multipliers for on-peak or off-peak usage; the company's proposed capacity factor for the period January through

December 2019; a net GPIF penalty of \$2,261,019 for performance during 2017 and adjustments to correct 2014 through 2016 targets and results; adjusted 2017 and 2018 targets to reflect the impact of the error correction of the prior periods; and the company's proposed GPIF targets and ranges for 2019.

E. STATEMENT OF ISSUES AND POSITIONS

I. FUEL ISSUES

COMPANY-SPECIFIC FUEL ADJUSTMENT ISSUES

Tampa Electric Company

ISSUE 5A: Should the Commission approve as prudent TECO's actions to mitigate the volatility of natural gas, residual oil, and purchased power prices, as reported in TECO's April 2018 and August 2018 hedging reports?

TECO: Yes. Tampa Electric prudently followed its 2016 Risk Management Plan, Commission Order No. PSC-2016-0547-FOF-EI, and Commission Order No. PSC-2017-0134-PCO-EI in utilizing financial hedges put in place prior to the beginning of the hedging moratorium to mitigate volatility of natural gas prices during the period January 2017 through July 2018. (Witness: Caldwell)

GENERIC FUEL ADJUSTMENT ISSUES

ISSUE 6: What are the appropriate actual benchmark levels for calendar year 2018 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

TECO: The company's non-separated wholesale energy sales incentive was replaced with a new optimization mechanism as described in Tampa Electric's amended and restated settlement agreement in Order No. PSC-2017-0456-S-EI issued November 27, 2017 in Docket No. 20170210-E, effective for transactions beginning with January 1, 2018. Therefore, a 2018 actual benchmark level for

non-separated wholesale energy sales is not applicable to Tampa Electric. Under the optimization mechanism, the company will file each year as part of its fuel cost recovery clause final true-up filing a schedule showing its gains in the prior calendar year on short-term wholesale sales, short-term wholesale purchases, and all forms of asset optimization that it undertook in that year. (Witness: Rusk)

ISSUE 7: What are the appropriate estimated benchmark levels for calendar year 2019 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

TECO: The company's optimization mechanism replaced the non-separated wholesale energy sales incentive for transactions beginning with January 1, 2018. Therefore, a 2019 estimated benchmark level for non-separated wholesale energy sales is not applicable to Tampa Electric. (Witness: Rusk)

ISSUE 8: What are the appropriate final fuel adjustment true-up amounts for the period January 2017 through December 2017?

TECO: \$7,199,907 over-recovery (Witness: Rusk)

ISSUE 9: What are the appropriate fuel adjustment actual/estimated true-up amounts for the period January 2018 through December 2018?

TECO: \$184,422 under-recovery (Witness: Rusk)

ISSUE 10: What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January 2019 to December 2019?

TECO: \$7,015,485 over-recovery (Witness: Rusk)

ISSUE 11: What are the appropriate projected total fuel and purchased power cost recovery amounts for the period January 2019 through December 2019?

TECO: The total recoverable fuel and purchased power recovery amount to be collected, adjusted by the jurisdictional separation factor, excluding GPIF and the revenue tax factor, but including the true-up amount, is \$530,856,268. (Witness: Rusk)

COMPANY-SPECIFIC GENERATING PERFORMANCE INCENTIVE FACTOR (GPIF) ISSUES

Tampa Electric Company

ISSUE 15A: What adjustments, if any, should be made to correct Tampa Electric's calculations of its GPIF rewards or penalties for the years 2014, 2015, and 2016?

TECO: The 2014, 2015, and 2016 rewards should be increased by a total of \$2,450,910 to correct errors in Bayside Station natural gas consumption that affected the targets and actual results for performance during that period, as described in the testimony of witness Brian S. Buckley. (Witness: Buckley)

ISSUE 15B: Should the Commission approve Tampa Electric's proposed corrections to its GPIF 2017 and 2018 targets?

TECO: Yes. The 2017 and 2018 targets should be adjusted to reflect the Bayside Station natural gas consumption error corrections for the 2014 through 2016 period. (Witness: Buckley)

GENERIC GENERATING PERFORMANCE INCENTIVE FACTOR ISSUES

ISSUE 16: What is the appropriate generation performance incentive factor (GPIF) reward or penalty for performance achieved during the period January 2017 through December 2017 for each investor-owned electric utility subject to the GPIF?

TECO: A penalty in the amount of \$4,711,929 for January 2017 through December 2017 performance, offset by corrections to 2014 through 2016 results that result in a total increase in rewards of \$2,450,910, resulting in a net penalty of \$2,261,019 to be applied to the January 2019 through December 2019 period. (Witness: Buckley)

ISSUE 17: What should the GPIF targets/ranges be for the period January 2019 through December 2019 for each investor-owned electric utility subject to the GPIF?

TECO: The appropriate targets and ranges are shown in Exhibit No. ____ (BSB-3) to the prefiled testimony of Mr. Brian S. Buckley. Targets and ranges should be set according to the prescribed GPIF methodology established in 1981 by Commission Order No. 9558 in Docket No. 800400-CI and modified in 2006 by

(Witness: Buckley)

FUEL FACTOR CALCULATION ISSUES

ISSUE 18: What are the appropriate projected net fuel and purchased power cost recovery and Generating Performance Incentive amounts to be included in the recovery factor for the period January 2019 through December 2019?

TECO: The projected net fuel and purchased power cost recovery amount to be included in the recovery factor for the period January 2019 through December 2019, adjusted by the jurisdictional separation factor, is \$537,871,753. The total recoverable fuel and purchased power cost recovery amount to be collected, including the true-up and GPIF and adjusted for the revenue tax factor, is \$528,977,466. (Witness: Rusk, Caldwell, Buckley, Smith)

ISSUE 19: What is the appropriate revenue tax factor to be applied in calculating each investor-owned electric utility’s levelized fuel factor for the projection period January 2019 through December 2019?

TECO: The appropriate revenue tax factor is 1.00072 (Witness: Rusk)

ISSUE 20: What are the appropriate levelized fuel cost recovery factors for the period January 2019 through December 2019?

TECO: The appropriate factor is 2.715 cents per kWh before any application of time of use multipliers for on-peak or off-peak usage. (Witness: Rusk)

ISSUE 21: What are the appropriate fuel recovery line loss multipliers to be used in calculating the fuel cost recovery factors charged to each rate class/delivery voltage level class?

TECO: The appropriate fuel recovery line loss multipliers are as follows:

<u>Metering Voltage Schedule</u>	<u>Line Loss Multiplier</u>
Distribution Secondary	1.0000

Distribution Primary	0.9900
Transmission	0.9800
Lighting Service	1.0000
(Witness: Rusk)	

ISSUE 22: What are the appropriate fuel cost recovery factors for each rate class/delivery voltage level class adjusted for line losses?

TECO: The appropriate factors are as follows:

<u>Metering Voltage Level</u>	<u>Fuel Charge Factor (cents per kWh)</u>	
Secondary	2.719	
RS Tier I (Up to 1,000 kWh)	2.405	
RS Tier II (Over 1,000 kWh)	3.405	
Distribution Primary	2.692	
Transmission	2.665	
Lighting Service	2.691	
Distribution Secondary	2.874	(on-peak)
	2.653	(off-peak)
Distribution Primary	2.845	(on-peak)
	2.626	(off-peak)
Transmission	2.817	(on-peak)
	2.600	(off-peak)
(Witness: Rusk)		

II. CAPACITY ISSUES

GENERIC CAPACITY COST RECOVERY FACTOR ISSUES

ISSUE 27: What are the appropriate final capacity cost recovery true-up amounts for the period January 2017 through December 2017?

TECO: \$1,952,049 under-recovery. (Witness: Rusk)

ISSUE 28: What are the appropriate capacity cost recovery actual/estimated true-up amounts for the period January 2018 through December 2018?

TECO: \$832,939 under-recovery. (Witness: Rusk)

ISSUE 29: What are the appropriate total capacity cost recovery true-up amounts to be collected/refunded during the period January 2019 through December 2019?

TECO: \$2,784,988 under-recovery. (Witness: Rusk)

ISSUE 30: What are the appropriate projected total capacity cost recovery amounts for the period January 2019 through December 2019?

TECO: The projected total capacity cost recovery amount for the period January 2019 through December 2019 is \$14,327,487. (Witness: Rusk)

ISSUE 31: What are the appropriate projected net purchased power capacity cost recovery amounts to be included in the recovery factor for the period January 2019 through December 2019?

TECO: The total recoverable capacity cost recovery amount to be collected, including the true-up amount and adjusted for the revenue tax factor, is \$17,124,796. (Witness: Rusk, Smith)

ISSUE 32: What are the appropriate jurisdictional separation factors for capacity revenues and costs to be included in the recovery factor for the period January 2019 through December 2019?

TECO: The appropriate jurisdictional separation factor is 1.0000000. (Witness: Rusk)

ISSUE 33: What are the appropriate capacity cost recovery factors for the period January 2019 through December 2019?

TECO: The appropriate factors for January 2019 through December 2019 are as follows:

<u>Rate Class and Metering Voltage</u>	<u>Capacity Cost Recovery Factor</u>	
	<u>Cents per kWh</u>	<u>\$ per kW</u>
RS Secondary	0.103	
GS and CS Secondary	0.086	
GSD, SBF Standard		
Secondary		0.32
Primary		0.32
Transmission		0.31
GSD Optional		
Secondary	0.075	
Primary	0.074	
Transmission	0.074	

IS, SBI		
Primary		0.24
Transmission		0.24
LS1 Secondary	0.024	

(Witness: Rusk)

III. EFFECTIVE DATE

ISSUE 34: What should be the effective date of the fuel adjustment factors and capacity cost recovery factors for billing purposes?

TECO: The new factors should be effective beginning with the first billing cycle for January 2019 through the last billing cycle for December 2019. The first billing cycle may start before January 1, 2019, and the last cycle may be read after December 31, 2019, so that each customer is billed for twelve months regardless of when the recovery factors became effective. The new factors shall continue in effect until modified by this Commission. (Witness: Rusk)

ISSUE 35: Should the Commission approve revised tariffs reflecting the fuel adjustment factors and capacity cost recovery factors determined to be appropriate in this proceeding?

TECO: Yes. (Witness: Rusk)

ISSUE 36: Should this docket be closed?

TECO: Yes.

F. STIPULATED ISSUES

TECO: None at this time.

G. MOTIONS

TECO: None at this time.

H. PENDING REQUEST OR CLAIMS FOR CONFIDENTIALITY

TECO: Tampa Electric has pending a single request dated September 13, 2018 for confidential treatment of information relating to Audit Workpapers (Audit No. 2018-058-2-2).

I. OBJECTIONS TO A WITNESS'S QUALIFICATION AS AN EXPERT

TECO: None at this time.

J. OTHER MATTERS

TECO: None at this time.

DATED this 2nd day of October 2018.

Respectfully submitted,



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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing Prehearing Statement, filed on behalf of Tampa Electric Company, has been served by electronic mail on this 2nd day of October, 2018 to the following:

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