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October 26, 2018

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 Second SoBRA effective January 1, 2019; Docket No. 20180133-EI

Dear Ms. Stauffer:

Attached for filing in the above docket is a proposed set of Stipulations that, if approved, will resolve all issues in this proceeding. We are authorize to represent that Office of Public Counsel agrees to approval of these Stipulations as Type 1 Stipulations and that Florida Industrial Power Users Group does not oppose approval of the Stipulations as Type 2 Stipulations.

Thank you for your assistance in connection with this matter.

Sincerely,

James D. Beasley

JDB/pp
Attachment

cc: Walter Trierweiler (w/attachment)
All Parties of Record (w/attachment)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for limited proceeding to approve second solar base rate adjustment (SoBRA), effective January 1, 2019, by Tampa Electric Company.	DOCKET NO. 20180133-EI

Stipulations

VII. BASIC POSITION

Tampa Electric seeks approval of its Second Solar Base Rate Adjustment ("SoBRA") consistent, and in accordance with the 2017 Agreement. The 2017 Agreement is a carefully negotiated agreement – unique to Tampa Electric - that reflects a delicate balance of gives and takes among the parties, and which contains a collection of individual provisions that absent the others would likely not be acceptable to some or all of the parties if presented on a stand-alone basis. Paragraph 6, which authorizes a series of SoBRAs, is one such provision. Paragraph 9, which required Tampa Electric to make a one-time tax reform revenue requirement reduction of over $100 million effective January 2019 is another. There are many others.

The Parties to this docket have conducted extensive formal and informal discovery into the company's proposed Second SoBRA, whether it conforms to the unique aspects of the company's SoBRAs as intended by the parties and to ensure that the company met its burden of proof. Although OPC and FIPUG would not agree – absent the 2017 Agreement and its significant benefits to customers - to the kind of base rate increases proposed by the company in this docket, a deal is a deal. The company has shown by a preponderance of the evidence that the Second SoBRA projects are projected below the per project installed cost cap and are cost effective as specified and intended in the 2017 Agreement, and in the specific circumstances of this case, are otherwise prudent for Tampa Electric, regardless of the requirements of the Settlement. Accordingly, the Commission should (1) accept and adopt the stipulations of the parties on Issues 1 through 8, below, and (b) approve the Petition and the five proposed projects which comprise Tampa Electric's Second SoBRA pursuant to the 2017 Agreement approved by the Commission in Order No. PSC-2017-0456-S-EI. The parties intend that doing so will have no precedential value beyond this case and the 2017 Agreement.

Upon approval of the Second SoBRA, and with its tax reform rate reduction, both effective in January 2019, Tampa Electric will have among the lowest retail rates in Florida.

VIII. ISSUES AND POSITIONS

ISSUE 1: Are the 2019 SoBRA projects proposed by TECO each eligible in their entirety for treatment pursuant to paragraph 6 of the 2017 Agreement?

Yes. The 2019 SoBRA projects totaling 260.3 MW proposed by TECO each meet in their entirety all of the eligibility requirements for treatment pursuant to paragraph 6 of the 2017 Agreement.

250 MW of this total is the base amount of capacity specified in paragraph 6(b) of the 2017 Agreement.

5.3 MW is allowable in the Second SoBRA as unused capacity carried forward from the First SoBRA.

The remaining 5 MW is the 2% variance specified in paragraph 6(c) of the 2017 Agreement and is allowable for two reasons. First, building all 49 MW of the Lake Hancock project capacity, but including only 32 MW of that capacity in the Second SoBRA, accommodates efficient planning and construction of the Lake Hancock project that includes the projected delivery of greater fuel savings from the entire project. Second, the company has committed that if the 2019 actual annual fuel savings available to the general body of rate payers from the incremental 5 MW and additional 17.7 MW not included in the Second SoBRA does not equal or exceed $1.0 million, it will refund the shortfall to the general body of rate payers using the SoBRA true-up process in paragraph 6 of the 2017 Agreement.

ISSUE 2: Are the 2019 SoBRA projects proposed by TECO cost effective pursuant to subparagraph 6(g) of the 2017 Agreement?

Yes. Paragraph 6 of the 2017 Settlement Agreement was intended by the parties to give Tampa Electric an opportunity to build 550 MW of cost-effective solar generation (plus an additional 50 MW if certain requirements are met) over a period of time. The total capacity was divided into three tranches (with an optional fourth) and staged or allocated to future time periods to accommodate orderly construction and to phase in and moderate the rate impact to retail customers. During the negotiations, the company disclosed its plans to purchase the solar modules for the entire 600 MW and then finalized the purchase in 2017. Although the specifics of the cost-effectiveness test contemplated in the 2017 Settlement Agreement are not spelled out in paragraph 6, the way in which the company has apportioned solar capacity value and value of other deferred capacity in its cumulative present value of revenue requirement ("CPVRR") calculation is consistent with the way the parties discussed the solar additions in paragraph 6 of the 2017 Settlement Agreement and will have no precedential value beyond Tampa Electric's solar base rate adjustments and the 2017

Settlement Agreement. The cost-effectiveness test in this case is unique to Tampa Electric.

Solar projects provide capacity value and can contribute to the deferral of the company's next generating unit. For these reasons, Tampa Electric now uses the same basic approach considering capacity value and value of deferral when evaluating the cost-effectiveness of third-party solar PPA proposals. Doing so provides a consistent basis for evaluation and ensures that third-party solar is evaluated fairly against the company's future self-build options. The 600 MW is now part of the current base case and any PPA proposals would receive a value of deferral for any unit deferrals compared to this base case.

Based on the company's plans to build at least 550 MW of solar and as described in the answer to Staff's Interrogatory 12A (revised September 27, 2018), the five projects covered by the Second SoBRA lower the company's projected system CPVRR as compared to such CPVRR without the solar projects; therefore, the projects covered by the Second SoBRA satisfy the cost-effectiveness test in the 2017 Agreement. Without objection from Tampa Electric, the parties and the Commission have reserved or may reserve their rights to take appropriate action if at least 550 MW is not built out.

ISSUE 3: Are the projected installed costs of each of the 2019 SoBRA projects proposed by TECO less than or equal to the Installed Cost Cap of $1,500 per kW_{ac} pursuant to subparagraph 6(d) of the 2017 Agreement?

Yes. The projected installed costs of the five projects are as follows:

Project Name	Projected Installed Cost (per kW_{ac})
Lithia Solar	$1,494
Grange Hall Solar	$1,437
Peace Creek Solar	$1,492
Bonnie Mine Solar	$1,464
Lake Hancock Solar	$1,494

These installed costs are lower than the $1,500 per kW_{ac} Installed Cost Cap pursuant to subparagraph 6(d) of the 2017 Agreement.

ISSUE 4: Is the projected average capital cost of the 2018 and 2019 SoBRA projects proposed by TECO less than or equal to $1,475 per kW_{ac} pursuant to subparagraph 6(c) of the 2017 Agreement?

Yes. The projected average capital cost of the 2018 and 2019 SoBRA projects is less than or equal to $1,475 per kW_{ac} pursuant to subparagraph 6(c) of the 2017 Agreement.

ISSUE 5: **What are the estimated annual revenue requirements associated with TECO's 2019 SoBRA projects?**

Considering the explanation of, and assurances regarding, the 2% variance specified in Issue 1, the estimated annual revenue requirement associated with Tampa Electric's 2019 SoBRA projects is $46,045,000 including the incentive specified in the 2017 Agreement. This amount is calculated using the projected installed costs of the five projects and in accordance with the revenue requirement cost recovery provisions of the 2017 Agreement.

ISSUE 6: **What are the appropriate base rates needed to collect the estimated annual revenue requirement for the solar projects in the 2019 SoBRA?**

Considering the explanation of, and assurances regarding, the 2% variance specified in Issue 1, the appropriate base rates needed to collect the estimated annual revenue requirement for the solar projects in the 2019 SoBRA are those reflected in the redlined and clean tariffs set forth as Documents Nos. 6 and 7 of witness Ashburn's Exhibit No. ___ (WRA-1, revised September 24, 2018), which are incorporated herein by reference.

ISSUE 7: **Should the Commission approve the tariffs for TECO reflecting the base rate increases for the 2019 projects determined to be appropriate in these proceedings?**

Yes. Considering the explanation of, and assurances regarding, the 2% variance specified in Issue 1, the Commission should approve the revised tariffs for Tampa Electric reflecting the base rate increases for the 2019 projects comprising the company's Second SoBRA effective with the first meter reading in January 2019.

ISSUE 8: **Should the docket be closed?**

Yes. Once all issues in this docket are resolved, the docket should be closed.