BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

|  |  |
| --- | --- |
| In re: Petition for limited proceeding to true-up third SoBRA, by Tampa Electric Company. | DOCKET NO. 20210107-EIORDER NO. PSC-2021-0404-PAA-EIISSUED: October 28, 2021 |

The following Commissioners participated in the disposition of this matter:

GARY F. CLARK, Chairman

ART GRAHAM

ANDREW GILES FAY

MIKE LA ROSA

GABRIELLA PASSIDOMO

NOTICE OF PROPOSED AGENCY ACTION ORDER

GRANTING PETITION TO TRUE-UP THIRD

SOBRA, BY TAMPA ELECTRIC COMPANY

BY THE COMMISSION:

 NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code (F.A.C.).

Background

By Order No. PSC-2017-0456-S-EI, issued on November 27, 2017, the Florida Public Service Commission (Commission) approved Tampa Electric Company’s (TECO or Company) Amended and Restated Stipulation and Settlement Agreement (2017 Settlement).[[1]](#footnote-1) The 2017 Settlement allows for the inclusion of solar projects that meet certain criteria into base rates through a Solar Base Rate Adjustment (SoBRA) mechanism.

On November 12, 2019, we approved TECO’s Third SoBRA in Order No. PSC-2019-0477-FOF-EI.[[2]](#footnote-2) The Third SoBRA consisted of two solar projects, Wimauma and Little Manatee River (LMR), with a total installed capacity of 149.3 megawatts (MW). The base rates and charges to recover the revenue requirement associated with the actual installed cost of the Third SoBRA were determined in its rate case proceeding in Docket No. 20210034-EI, filed on April 9, 2021.[[3]](#footnote-3)

On May 27, 2021, TECO filed a petition for a true-up of the Third SoBRA. We have jurisdiction pursuant to Sections 366.06 and 366.076, Florida Statutes (F.S.).

Decision

Actual total costs for TECO’s Third SoBRA projects

The 2017 Settlement allows TECO to recover the cost of solar projects that meet certain criteria through a base rate adjustment, using estimated costs and in-service dates with a true-up mechanism. Paragraph 6(c) of the 2017 Settlement states that the SoBRA rate adjustment for each tranche will be implemented on the earliest in-service date specified in paragraph 6(b) and based on estimated installation cost. Each SoBRA rate adjustment will subsequently be trued-up based on actual in-service dates and installation costs.

Paragraph 6(d) of the 2017 Settlement specifies a total installed capital cost cap for each project of $1,500/kWac. LMR Solar is below the cost cap. However, Wimauma Solar, with an actual installed cost of $1,537/kWac, exceeds the cost cap provision of the 2017 Settlement. Paragraph 6(e) of the 2017 Settlement states that if a project cost more than $1,500/kWac, the Company can only recover the installed costs up to the cost cap. Therefore, TECO’s recovery of installed costs for Wimauma Solar shall be limited to $1,500/kWac or $112,200,000 through the SoBRA Mechanism.

In-Service Dates

Neither project entered commercial service on their estimated in-service dates. Both Wimauma Solar and LMR Solar received their environmental and construction permits about three months later than the Company expected, subsequently delaying construction on the projects until July 2019. The contractors for LMR Solar lessened the delay by increasing the number of employees on the job and working weekends. The estimated and actual in-service dates for each solar project are listed in Table 1.

**Table 1**

**In-Service Dates for Third SoBRA**

|  |  |  |
| --- | --- | --- |
| **Project Name**  | **Estimated In-Service Date** | **Actual In-Service Date** |
| Wimauma Solar | January 1, 2020 | April 1, 2020 |
| LMR Solar | January 1, 2020 | February 7, 2020 |

Source: Exhibit JSC-1 from Document No. 04308-2021

Installed Costs

Pursuant to paragraph 6(d) of the 2017 Settlement, the allowable installed costs include all types of costs that have traditionally been allowed in rate base for solar projects, including engineering, procurement, and construction (EPC) contracts. For TECO’s Third SoBRA, the EPC contracts include major equipment (i.e., solar modules, inverters), balance of system (i.e., racking, collection cables), and development. The EPC contract accounts for the majority of the project costs followed by land, transmission interconnection, and owner’s costs. Both Wimauma and LMR were above estimated installed costs by 4% and 0.1%, respectively. Wimauma Solar’s actual installed costs varied from the estimated installed cost due to an increase in EPC cost and higher allowance for funds used during construction (AFUDC) cost due to the longer than expected construction period. LMR Solar’s actual installed costs varied from the estimated installed cost due to an increase in EPC costs. The cost variances for each category and the total cost variances are listed in Table 2.

**Table 2**

**Total Installed Cost Variances by Project for Third SoBRA**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Project** **Name**  | **EPC** **Cost ($)** | **Land** **Cost ($)** | **Transmission****Cost ($)** | **Owner’s** **Cost ($)** | **Total Variance ($)** |
| Wimauma Solar | 2,067,780 | (197,320) | (1,915,202) | 332,323 | 287,581 |
| LMR Solar | 7,269,645 | 0 | (6,565,372) | (556,337) | 147,935 |

Source: Exhibit SGS-1 from Document No. 04308-2021

EPC Costs

EPC costs represent approximately 89 percent of the total costs on average for the Third SoBRA. Wimauma Solar’s actual EPC costs varied from the estimate due to change orders for additional modules needed for breakage spares. LMR Solar’s actual EPC costs varied from the estimated cost due to the EPC contractor constructing the required 230 kilovolt (kV) ring bus switchyard, as opposed to TECO. The costs associated with this equipment were originally estimated in the transmission cost category but were moved to the EPC cost category. The EPC contractor also completed all permitting activities.

Land and Transmission Costs

The land and transmission costs represent approximately 12 and 4 percent of the total costs on average, respectively, and each of the solar projects were at or below the original estimated costs. LMR Solar is constructed on land obtained through a long-term lease and has no costs associated with the installed cost of the project. The largest variance for transmission cost was for the LMR project, due to previously mentioned 230 kV ring bus switchyard costs being reassigned to EPC costs.

Total Costs

Pursuant to paragraph 6(d) of the 2017 Settlement, in addition to the installed costs discussed above, TECO is eligible to include AFUDC associated with SoBRA projects, which represent approximately 6 percent of the total costs of Wimauma Solar. LMR Solar has no AFUDC cost and as it is constructed on leased land there is no land cost included in the total costs. The actual cost for each project, inclusive of the variances above and AFUDC, are listed on a total cost and per kWac cost basis in Table 3. Based on our analysis, only LMR Solar is below the cost cap specified in paragraph 6(d) of the 2017 Settlement of $1,500 per kWac. As Wimauma Solar exceeds the cost cap, total cost recovery for the project is limited by the $1,500 per kWac cost cap. We have reviewed the total actual costs, and they appear reasonable and consistent with the 2017 Settlement.

**Table 3**

**Total Costs for Third SoBRA**

|  |  |  |
| --- | --- | --- |
| **Project Name**  | **Total Cost ($)** | **Total Cost ($/kWac)** |
| Wimauma Solar | 114,962,604 | 1,537 |
| LMR Solar | 105,247,935 | 1,413 |

Source: Exhibit SGS-1 from Document No. 04308-2021

Conclusion

The actual total costs for TECO’s Third SoBRA projects are as listed in Table 3. However, Wimauma Solar, with an actual installed cost of $1,537/kWac, exceeds the $1,500/kWac cost cap provision of the 2017 Settlement. Therefore, TECO’s recovery of installed costs for Wimauma Solar shall be limited to $112,200,000 through the SoBRA Mechanism.

The Adjusted Annual Revenue Requirement for TECO’s Third SoBRA Projects

In 2017, TECO received authorization for a framework to recover costs associated with the construction and operation of a then-conceptual series of solar generating facilities.[[4]](#footnote-4) The framework includes conditions by which the Company can petition this Commission to implement project-specific estimated annual revenue requirements, beginning on specified dates, subject to certain agreed-upon conditions.[[5]](#footnote-5) The revenue collected is subject to true-up. The actual annual revenue requirement, and its difference from the currently-approved annual revenue requirement, is the focus of our findings on this issue.

The Company is requesting our approval of an adjusted cumulative annual revenue requirement based on the actual installed costs of the plants associated with its previously-approved Third SoBRA Project.[[6]](#footnote-6) The adjusted cumulative annual revenue requirement for the Third SoBRA Project is specifically associated with the Wimauma Solar and LMR Solar plants.

The adjusted cumulative annual revenue requirement is formulated using the actual capital cost (discussed above) including incentives of the Third SoBRA Project in place of the originally-estimated capital cost. All other components of the estimated annual revenue requirement calculation remain the same, e.g., operation and maintenance expense, rate of depreciation, capital structure, and tax rates.[[7]](#footnote-7) The specific true-up amounts produced by this change are discussed below. Additionally, a separate provision contained in the 2017 Settlement addressing potential tax rate changes during the settlement period was activated.[[8]](#footnote-8)

On September 12, 2019, the Florida Department of Revenue issued a Tax Information Publication (TIP) announcing the reduction in Florida’s corporate income tax rate from 5.5 percent to 4.458 percent retroactively effective to January 1, 2019 (State Tax Rate Change). The State Tax Rate Change remains in effect through December 31, 2021. The Company addressed the impact of the State Tax Rate Change through a reduction to the estimated revenue requirement associated with its Third SoBRA approved on October 17, 2019. Since the Third SoBRA-related revenue requirement had yet to take effect, TECO simply amended the estimated revenue requirement to incorporate the State Tax Rate Change. The Third SoBRA-related estimated revenue requirement amount pre-tax rate change was $26,596,000, while the estimated revenue requirement post-tax rate change, or the revenue requirement actually charged to customers, was $26,452,000. The State Tax Rate Change as it relates to the Third SoBRA Project represents a revenue requirement reduction of $144,000.[[9]](#footnote-9) By Order No. PSC-2019-0524-PAA-EI, we found that:

Adjusting the Third SoBRA Paragraph 9(b) of the 2017 Agreement requires the Company to “adjust any SoBRAs that have not yet gone into effect to specifically account for Tax Reform.” As indicated in the Company’s petition, the annual revenue requirement for the Third SoBRA re-calculated using the 4.458 percent state corporate income tax rate is $26,452,000, which is $144,000 lower than the amount approved in the Third SoBRA docket. The Company’s petition showed the revenue requirement for the Third SoBRA using the new state rate. We have reviewed the calculations regarding the revenue requirement for the third SoBRA included with the Company’s petition and approve $26,452,000 as the revised revenue requirement for the Third SoBRA.[[10]](#footnote-10)

Table 4 displays the estimated plant-specific Third SoBRA annual revenue requirements, which include the effect of the State Tax Rate Change discussed above.

| **Table 4** |
| --- |
| **Third SoBRA Estimated Annual Revenue Requirements[[11]](#footnote-11)** |
| **Plant** | **Revenue Requirement** |
| Wimauma Solar | $13,225,000 |
| LMR Solar | 13,227,000 |
| **Total** | $26,452,000 |

Sources: Order No. PSC-2019-0477-FOF-EI, Order No. PSC-2019-0524-PAA-EI, and the Prepared Direct Testimony and Exhibit of TECO witness Jose A. Aponte, page 6.

Table 5 displays the proposed adjusted annual Third SoBRA revenue requirements associated with each project and plant.

| **Table 5** |
| --- |
| **Third SoBRA Adjusted Annual Revenue Requirements** |
| **Plant** | **Revenue Requirement** |
| Wimauma Solar | $13,367,000 |
| LMR Solar | 13,245,000 |
| **Total** | $26,612,000 |

Source: Prepared Direct Testimony and Exhibit of TECO witness Jose A. Aponte, pages 6-12.

Conclusion

We find that the adjusted cumulative annual revenue requirement is $26,612,000. The revision represents an increase of $160,000 as compared to the previously-estimated cumulative annual revenue requirement of $26,452,000.

Appropriate Capacity Cost Recovery Clause (CCRC) True-up Amount

In 2017, TECO received authorization for a framework to recover costs associated with the construction and operation of a then-conceptual series of solar generating facilities.[[12]](#footnote-12) The framework includes conditions by which the Company can petition us to implement project-specific estimated annual revenue requirements beginning on specified dates subject to certain agreed-upon conditions.[[13]](#footnote-13) The revenue collected is subject to true-up. The Total True-up is the focus of our findings on this issue. The relevant time period used in formulating the Total True-up is January 1, 2020, through December 31, 2021.

Table 6 displays the components and associated amounts of the proposed Third SoBRA Project Total True-up.

| **Table 6** |
| --- |
| **Third SoBRA Project Total True-up** |
| **Component** | **Amount****(01/01/2020 through 12/31/2021)** |
| Total Cost True-up |  ($282,112) |
| Total Timing True-up |  4,064,011  |
| Total Net Interest[[14]](#footnote-14)  |  373,654  |
| **Total True-up** | $4,155,553 |

Source: Prepared Direct Testimony of TECO witness Jeffery S. Chronister, Exhibit No. JSC-1, Page 1 of 4.

The Total True-up associated with TECO’s Third SoBRA is $4,155,553. With respect to accounting for the Total True-Up on September 11, 2020, the Company filed its final Estimated/Actual testimony for calendar year 2020 which contained a preliminary credit/refund (timing true-up) associated with the Third SoBRA in the amount of $4,069,905.[[15]](#footnote-15) This amount is currently embedded in TECO’s 2021 CCRC factors.[[16]](#footnote-16) After accounting for the preliminary credit, we find that the outstanding amount owed to customers is $85,648 (Remaining Net True-up).

Table 7 displays the components and associated amounts of the proposed Third SoBRA Project Remaining Net True-up.

|  **Table 7**  |
| --- |
| **Third SoBRA Project Remaining Net True-up** |
| **Component** | **Amount** |
| Total True-up | $4,155,553 |
| Preliminary Credit/Refund[[17]](#footnote-17) |  (4,069,905)  |
| **Remaining Net True-up** | $85,648 |

Source: Prepared Direct Testimony of TECO witness Jeffery S. Chronister, Exhibit No. JSC-1, Page 1 of 4.

According to TECO witness Chronister at the time of filing the instant petition, the Company’s intent was to include the Remaining Net True-up balance of the Total True-Up in its 2022 CCRC rate request, which was filed on September 3, 2021.[[18]](#footnote-18) We have confirmed the remaining balance of the Total True-Up is included in TECO’s requested 2022 CCRC rates.

Conclusion

We find the appropriate Total True-up associated with the Third SoBRA Project reflected in the CCRC, pursuant to subparagraph 6(n) of the 2017 Settlement, is a credit of $4,155,553. After accounting for the preliminary Third SoBRA-related credit of $4,069,905 in 2020, the Remaining Net True-up amount owed to customers is $85,648. The Remaining Net True-up amount of $85,648 is reflected in TECO’s proposed 2022 Capacity Cost Recovery rates.

Based on the foregoing, it is

ORDERED by the Public Service Commission that the actual total costs for Tampa Electric Company’s Third SoBRA projects are as listed in Table 3 of this Order. However, Tampa Electric Company’s recovery of installed costs for Wimauma Solar shall be limited to $112,200,000 through the SoBRA Mechanism. It is further

ORDERED that the adjusted cumulative annual revenue requirement associated with Tampa Electric Company’s Third SoBRA Project is $26,612,000. It is further

ORDERED that the appropriate net true-up amount associated with the Third SoBRA Project shall be reflected in the CCRC, pursuant to subparagraph 6(n) of the 2017 Settlement, is a credit of $4,155,553. It is further

ORDERED that after accounting for the preliminary Third SoBRA-related credit of $4,069,905 in 2020, the net amount owed to customers is $85,648. The remaining net true-up amount of $85,648 is reflected in Tampa Electric Company’s proposed 2022 CCRC rates. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, F.A.C., is received by the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the “Notice of Further Proceedings” attached hereto. It is further

ORDERED that if no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of this order, this docket shall be closed upon the issuance of a consummating order.

 By ORDER of the Florida Public Service Commission this 28th day of October, 2021.

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| --- | --- |
|  | /s/ Adam J. Teitzman |
|  | ADAM J. TEITZMANCommission Clerk |

Florida Public Service Commission

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Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

WLT/JDI

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

 The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing that is available under Section 120.57, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing will be granted or result in the relief sought.

 Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

 The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on November 18, 2021.

 In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

 Any objection or protest filed in this/these docket(s) before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

1. Order No. PSC-2017-0456-S-EI, issued November 27, 2017, in Docket No. 20170210-EI*, In re: Petition for limited proceeding to approve 2017 amended and restated stipulation and settlement agreement, by Tampa Electric Company*, and Docket No. 20160160-EI, *In re: Petition for approval of energy transaction optimization mechanism, by Tampa Electric Company*. [↑](#footnote-ref-1)
2. Order No. PSC-2019-0477-FOF-EI, issued on November 12, 2019, in Docket No 20190136-EI, *In re:* *Petition for a limited proceeding to approve third SoBRA, by Tampa Electric Company.* [↑](#footnote-ref-2)
3. Docket No. 20210034-EI, *In re: Petition for rate increase by Tampa Electric Company*, filed April 9, 2021. [↑](#footnote-ref-3)
4. Order No. PSC-2017-0456-S-EI, issued November 27, 2017, in Docket No. 20170210-EI*, In re: Petition for limited proceeding to approve 2017* *amended and restated stipulation and settlement agreement, by Tampa Electric Company*, and Docket No. 20160160-EI, *In re: Petition for approval of energy transaction optimization mechanism, by Tampa Electric Company*. [↑](#footnote-ref-4)
5. Tampa Electric Company’s 2017 Amended and Restated Stipulation and Settlement Agreement, ¶6(b). [↑](#footnote-ref-5)
6. Order No. PSC-2019-0477-FOF-EI, issued November 12, 2019, in Docket No. 2019136-EI, *In re: Petition for a limited proceeding to approve third SoBRA, by Tampa Electric Company.* [↑](#footnote-ref-6)
7. By Order No. PSC-2019-0524-PAA-EI, in Docket 20190203-EI, *In re: Petition for limited proceeding to reduce base rates and charges to reflect impact of the 2019 temporary state income tax rate reduction, by Tampa Electric Company*, we approved an update/reduction to the Company’s previously-filed Third SoBRA revenue requirement to reflect a temporary reduction in Florida’s state corporate income tax rate. [↑](#footnote-ref-7)
8. Tampa Electric Company’s 2017 Amended and Restated Stipulation and Settlement Agreement, ¶6(a) and ¶9(b). [↑](#footnote-ref-8)
9. Order No. PSC-2019-0524-PAA-EI, issued December 17, 2019, in Docket No. 20190203-EI, *In re: Petition for limited proceeding to reduce base rates and charges to reflect impact of the 2019 temporary state income tax rate reduction, by Tampa Electric Company*. [↑](#footnote-ref-9)
10. *Id*. [↑](#footnote-ref-10)
11. *Id*. [↑](#footnote-ref-11)
12. Order No. PSC-2017-0456-S-EI. [↑](#footnote-ref-12)
13. Tampa Electric Company’s 2017 Amended and Restated Stipulation and Settlement Agreement, ¶6(b). [↑](#footnote-ref-13)
14. “Total Net Interest” is calculated at an annual Allowance for Funds Used During Construction (AFUDC) rate of 6.46 percent, less interest expense accrued in the capacity clause at the then-prevailing monthly Commercial Paper Rate. [↑](#footnote-ref-14)
15. Document No. 06604-2020. [↑](#footnote-ref-15)
16. Order No. PSC-2020-0439-FOF-EI, issued November 16, 2020, in Docket No. 20200001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor*, and Order No. PSC-2021-0329-PCO-EI, issued August 30, 2021, Docket No. 20210001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor*. [↑](#footnote-ref-16)
17. *Id.* [↑](#footnote-ref-17)
18. Document No. 10086-2021. [↑](#footnote-ref-18)