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Tampa Electric's Response to Staff's Twelfth
Data Request Nos. 1-4

**TAMPA ELECTRIC COMPANY
DOCKET NO. 20210034-EI
STAFF'S TWELFTH DATA REQUEST
REQUEST NO. 1
BATES PAGE: 1
FILED: OCTOBER 7, 2021**

1. Please confirm whether the proposed tariff sheet No. 6.400 (GSLDTSU) is an optional tariff. If so, please update the tariff sheet to reflect this status.
- A. Proposed tariff sheet No. 6.400 (GSLDTSU), like proposed tariff sheet No. 6.370 (GSLDTPR), is an optional tariff in that customers can opt for either service instead of service under GSLDSU and GSLDPR respectively. Tariff sheet No. 6.400 should have the word "OPTIONAL" listed below the title like it was listed on tariff sheet No. 6.370. The tariff sheet will be updated.

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- 2.** Referring to Exhibit K of the Settlement Agreement and TECO's response to staff's sixth data request No. 8, please confirm that the residential rate class is getting allocated 78 percent of the total increase (for Year 1 total increase, Year 2 GBRA increase, and Year 3 GBRA increase). If not, please state the correct percent and explain.
- A.** Yes. That is correct; however, if the parties had not adopted a mitigated 4 CP/ full MDS approach for settlement purposes, the RS class would have been allocated more than 78 percent. For perspective, 89 percent of the company's customers are in the RS class (see MFR E-16, Bates stamped page 235 of original E-Schedule filings) and the company's initial filing proposed that the RS class would get 58 percent of the 2022 Increase (see MFR Schedule E-5, Bates stamped page 7 of original E-Schedule filings). As the response to Staff's Sixth Data Request, No. 6 reveals, the RS class would get 96 percent of the 2022 Increase if the 12 CP and 1/13th methodology was used at parity.

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3. Referring to TECO's response to staff sixth data request No. 4 (arguments for 4 CP, No. 8), please expand on the statement that the "4 CP methodology may incent RS customers to install additional customer-sited solar."
- A. The willingness of residential customers to install rooftop solar depends in part on the savings they can yield by generating their own solar energy rather than paying the serving utility its base rates and clause charges for energy. The Parties agreed to use the mitigated 4 CP and full MDS methodology as part of an overall settlement based on the changes and considerations outlined in the response to Staff's Sixth Data Request, No. 4, and recognizing that as the production costs allocated and rates charged to the RS class increase, the economics of installing rooftop solar improve for residential customers, creating greater opportunities for savings and greater incentives to install rooftop solar. Although providing net metering-related price incentives for increased customer-owned rooftop solar is not one of the company's goals in and of itself, the company acknowledges that residential rooftop solar done under an equitable regulatory construct can play a role in achieving national and other carbon emission reduction goals. The cost of service methodology transition reflected in the 2021 Stipulation and Settlement Agreement ("2021 Agreement"), taken together with the portions of the 2021 Agreement that enable Big Bend Modernization, 600 MW of Future Solar, and AMI, will pave the way for the company to (1) empower customers through technology via a smarter grid that delivers safe, more reliable, and affordable energy, (2) accommodate larger amounts of company-owned and customer-owned distributed generation (including roof-top solar) and (3) offer enhanced demand response and other conservation programs.

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4. Referring to TECO's response to staff sixth data request No. 4 (arguments for 4 CP, No. 10), please explain in more detail why the 12 CP methodology does not attribute the costs of solar generation to customer classes as efficiently as the 4 CP methodology.

A. Four introductory points for perspective.

First, as noted in the response to Staff's Sixth Data Request, No. 4, a cost-of-service study is an analysis used to determine each rate class's responsibility for a utility's costs, so it influences the revenues a rate class generates to cover a class's cost of service. How "cost" is defined, which cost-of-service methodology is appropriate and how costs are allocated during the preparation of a cost-of-service study are issues over which reasonable people can differ.

Second, by agreeing to the 4 CP methodology in the 2021 Agreement, the company is not implying that prior use of the 12 CP methodology was wrong or that it is wrong for other utilities, but rather that using the 4 CP methodology is reasonable going forward for Tampa Electric as part of a unanimous and uncontested overall settlement that reflects give and take among the Signatory Parties.

Third, the customer rates from the 2021 Agreement reflect a mitigated implementation of 4 CP and MDS by agreeing to class revenue allocations that are more favorable to the RS class than what would have resulted from application of 4 CP at parity.

Fourth, the company proposed a move away from 12 CP and 1/13th for solar production plant in its initial filing and explained the reasons for this proposal in the Prepared Direct Testimony of Larry J. Vogt (pages 29-32). Although the methodology reflected in the 2021 Agreement is different, the result is directionally similar, i.e., a greater allocation of solar production costs to the RS class.

With that background, the notion of "efficient" cost attribution is grounded in the general economic notion that costs should be attributed to cost causers for pricing purposes. Most cost-of-service methodologies use some number of system peaks to attribute production costs to customer classes.

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It is generally recognized that residential cooling and/or heating drives electric system peaks and production plant additions for utilities in the southeastern United States. The company's current operational planning focuses on meeting customer demand in both the heavy summer cooling months and the possibility of an occasional cold snap in the winter causing a heavy heating load, with less emphasis on the shoulder months.

The 12 CP methodology values each of the company's 12 monthly coincident peaks equally, even though the company's move away from large base-load coal plants, that require multiple hours of operation in advance of being fully dispatchable and significant down time in off peak periods for maintenance, has diminished the importance of shoulder months for system and operational planning. The 4 CP methodology attributes production costs to customer classes based on the company's four highest coincident monthly system peaks – the ones that drive system and operational planning - and therefore arguably sends better economic pricing signals and attributes production costs including solar more efficiently.