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September 7, 2021

VIA ELECTRONIC FILING

Mr. Adam J. Teitzman, Commission Clerk
Office of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Docket 20210034-EI: Petition for Rate Increase by Tampa Electric Company

Dear Mr. Teitzman,

Attached for filing in the above-referenced docket is a copy of the presentation that Tampa Electric Company will make at the informal meeting scheduled for September 8, 2021. Commission Staff issued public notice of this meeting on August 27, 2021. *See* Document No. 09801-2021.

Sincerely,

Malcolm N. Means

Malcolm N. Means

MNM/bmp
Enclosures
cc: All parties of record (w/enc.)

Tampa Electric Company
Docket Nos. 20200264-EI and 20210034-EI
2021 Stipulation and Settlement Agreement

Informal Meeting
September 8, 2021
1:30 pm

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Basics

- Filed August 6, 2021
- Signed by all rate case parties of record
- Resolves all issues in both dockets
- Parties agree that the agreement is in the public interest and the rates contemplated in it are fair, just, and reasonable
- The 2021 Agreement stands on its own and "speaks for itself," and nothing in this presentation is supplemental to, or a modification of, the 2021 Agreement.

Paragraph 1
<u>Term</u>

- Becomes effective on day FPSC votes to approve it
- In general, the Term of the 2021 Agreement ends December 31, 2024, but the provisions of the 2021 Agreement shall terminate or remain in effect as specified in the agreement
- The effective date for changes in base rates, charges, or credits (including the CCV and Stand-by Generation credits) or rate design methodologies (except for voluntary rate schedules) will not be before January 1, 2025

Paragraph 2
Return on Equity and Equity Ratio

Subject to the Trigger and beginning January 1, 2022, Tampa Electric's authorized return on common equity ("ROE") shall be within a range of 9.00% to 11.00% (“ROE range”), with a mid-point of 9.95% (“mid-point”) and equity ratio (investor sources) of 54% for all regulatory purposes

The Trigger – Authorized Midpoint and Range:

- *If at any time during the Term, but no more than once during the Term, the average 30-year United States Treasury Bond yield rate for any period of six (6) consecutive months is at least 50 basis points greater than the yield rate on the date the Commission votes to approve this 2021 Agreement (“Trigger”), Tampa Electric’s authorized ROE shall, after an elective filing by Tampa Electric (“Petition”), be increased by 25 basis points to be within a range of 9.25 percent to 11.25 percent with a mid-point of 10.20 percent (“Revised Authorized ROE”).*

The Trigger – Additional Base Revenue:

- *If the Trigger occurs during the Term, the company’s base rates will be increased by the amount that, if collected for 12 consecutive months would total $10 million, prorated for the remaining billing cycles in the calendar year that it is implemented if the rate change occurs after the first billing cycle of the calendar year, using an equal percentage increase to the basic service, demand, and energy base rates reflected in the company's base rate schedules existing at the time of the increase, except that the service charges and CCV and Stand-by Generation credits shall not be adjusted.*

Note: Trigger Revenue increase is subject to reduction if $10 million increase would cause the company to earn more than its Revised Midpoint ROE of 10.20 percent

Paragraph 3

2022 Base Revenue Increase

- $122,678,000 net base rate increase effective with first billing cycle in January 2022
- Calculation of 6.26 percent overall rate of return shown on Exhibit B
- Calculation of 2022 Revenue Increase shown on Exhibit C
- Six Adjustments to 2022 As Filed Revenue Requirement shown on Exhibits C, D, E, and F.
- Applicability of adjustments for ESR purposes addressed in text.
- New Depreciation rates and NOI adjustment in Exhibit G and H
- Other items: coal inventory target and economic development expenses

Paragraph 4

Generation Base Rate Adjustments

- Two GBRAs are the mechanisms through which qualifying costs associated with the company's investment in, and operation of, Phase Two of its Big Bend Modernization Project and Phases Two and Three of its Future Solar projects may be recovered, as established within the settlement.
- $89,754,622 and $21,376,909, effective with the first billing cycle in January 2023 and 2024
- Calculations shown on Exhibit I
- GBRAs to be adjusted for effect of Tax Changes and Trigger, if applicable
- COS and Rate Design specified in paragraph 4(e)

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Paragraph 5
Clean Energy Transition Mechanism

Cost recovery for:

(i) the net book value as of December 31, 2021 of the company's AMR assets to be retired,

(ii) the net book value as of December 31, 2021 for the portions of Big Bend Units One, Two, and Three to be retired (including costs slated for recovery via the ECRC) ("Big Bend Retirement Assets"), and

(iii) the company's dismantlement reserve deficiency for the Big Bend Retirement Assets

Paragraph 5
Clean Energy Transition Mechanism

- Recovery is levelized over 15 years starting in 2022 at $68,550,000 per year
- Separate line item on customers' bills
- Calculation shown on Exhibit J
- Factors to be updated every 3 years to reflect: updated billing determinants; when dismantlement costs are final; upon Tax Changes or changes to overall rate of return; and at final true up
- Paragraph 5 survives termination of 2021 Agreement and lasts for 15 years

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Paragraph 6

Cost-of-Service Study, Billing Determinants, Rate Design, and Customer Rates

(i) Transition to 100% implementation and application of Minimum Distribution System (“MDS”) in the cost-of-service study for rate allocation purposes; however, retain the proposed basic service charge rate design for the RS and GS rate classes notwithstanding the 100% implementation of MDS in this case;

(ii) Allocate solar production plant costs in the cost-of-service study consistent with how non-solar production plant costs are allocated;

(iii) Transition to allocation, using a full 4 CP (three summer and one winter month) method for all production and transmission costs to each rate schedule within the cost-of-service study;

(iv) Increase standby generator conservation program and interruptible conservation program credits as described in subparagraph 6(i) below;

(v) Certain changes and additions to (a) Lighting Tariff’s LS-1 and LS-2 and (b) standard lighting contracts as shown on Exhibit L; and

(vi) The company’s proposed service charges as included in its Initial Rate Case Filing.

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Paragraph 6

<u>Cost-of-Service Study, Billing Determinants, Rate Design, and Customer Rates</u>

Revenue Allocation

The company shall, effective with the first billing cycle of 2022, allocate among its respective rate schedules all the revenue requirements established under this 2021 Agreement by applying the cost recovery revenue distribution shown on Exhibit K. This revenue attribution was derived by application of the 4 CP methodology for allocating production and transmission plant costs and the use of the full Minimum Distribution System ("MDS") costing method for allocating distribution plant costs, as mitigated.

Paragraph 7
Other Cost Recovery

Patterned after and very similar to paragraph 4
in the 2017 Agreement and 2013 Stipulation

Paragraph 8
Storm Damage

- Essentially the same as paragraph 5 in the 2017 Agreement and paragraph 5 of the 2013 Stipulation
- *Except* for the new subparagraph (e), in which the company agrees to continue following the Future Process Improvements previously agreed to as part of the 2017 Storm Damage docket

Paragraph 9
<u>Depreciation</u>

- Similar to paragraph 8 in the 2017 Agreement and 2013 Stipulation with minor wording changes

- Establishes new depreciation and dismantlement rates in Exhibit G

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Paragraph 10
Earnings

- Patterned after and similar to paragraph 7 of the 2017 Agreement and 2013 Stipulation with minor wording changes

- Specifies rights of Parties to 2021 Agreement if Tampa Electric earns above or below the top or bottom of its allowed range

Paragraph 11
Tax Changes

- Similar to paragraph 9 of the 2017 Agreement except that it is symmetrical and more specifically addresses the contingencies associated with possible future tax changes

- Based on Document No. 11 in the pre-filed exhibit of Jeffrey S. Chronister (JSC-1), which contained the company's tax reform proposal

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Paragraph 12
<u>Asset Optimization Mechanism</u>

- Similar to paragraph 10 in the 2017 Agreement

- E*xcept* for a name change and addition of language on treatment of natural gas transportation capacity releases and retirement/release of railcars.

- The company's asset optimization mechanism as originally proposed is outlined in the testimony of witness John Heisey.

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Paragraph 13
<u>Other</u>

- Similar to paragraph 11 of the 2017 Agreement

Except

Subparagraph (f) addresses evidentiary basis for major investments and retirements

Subparagraph (g) addresses Storm Protection Plan costs

Subparagraph (h) expands two conservation programs

Paragraph 14
<u>Tariffs</u>

Similar to paragraph 10 of the 2013 Stipulation and paragraph 12 of the 2017 Agreement, except the 2021 version is longer and more detailed.

Paragraphs 15 thru 18
Legal Provisions

- Paragraph 15 – Application
- Paragraph 16 – Commission Approval
- Paragraph 17 – Disputes
- Paragraph 18 – Execution

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Conclusion

- Additional Questions
- Comments from Consumer Parties
- Concluding Remarks

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