

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: March 31, 2023

TO: Adam J. Teitzman, Commission Clerk, Office of Commission Clerk

FROM: Greg Davis, Engineering Specialist, Division of Engineering *GD PC TB*

RE: Docket No. 20220186-EI –Petition for Approval of Purchased Power Agreement between Tampa Electric Company and with Pasco County

Please file the attached email “staff’s first informal data request” in the above mentioned docket file.

GD/jp

Attachments



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January 10, 2023

VIA: ELECTRONIC MAIL

Ms. Jennifer Crawford
Mr. Major Thompson
Office of General Counsel
Florida Public Service Commission
Room 205H – Gerald L. Gunter Building
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850
crawfordj@psc.state.fl.us
thompsonm@psc.state.fl.us

Re: PPA (Purchase Power Agreement) Pasco County
Dkt. 20220186-EI

Dear Ms. Crawford and Mr. Thompson:

Attached are Tampa Electric Company's answers to Staff's Informal Data Request Nos. 1-10, propounded and served by electronic mail on December, 2022.

Sincerely,

A handwritten signature in blue ink that reads 'Malcolm N. Means'.

Malcolm N. Means

MNM/bml
Attachment

cc: TECO Regulatory Dept.
Ashley Sizemore, TECO

**TAMPA ELECTRIC COMPANY
DOCKET NO. 220220186
STAFF'S FIRST INFORMAL DATA
REQUEST NO. 1
BATES PAGE(S): 1 - 2
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1. Pasco Transmission Cost Cap: (petition page 5).
 - a. How was the Pasco Transmission Cost Cap developed?
 - b. Can you expand on how the Transmission Cost Cap works in reference to the second sentence in paragraph 17 in the petition?
 - c. What remedies does TECO have if transmission costs result in this contract not being cost effective?
 - d. How did TECO predict that there is a possibility of them incurring transmission costs starting in 2028?

- A.**
 - a. The Pasco County ("Pasco") facility is located in the Duke Energy Florida ("DEF") territory, thus requiring third-party (i.e., DEF) transmission service to deliver power to Tampa Electric. Tampa Electric and Pasco County developed the Pasco Transmission Cost Cap as a mechanism to cover the costs of transmission service.
 - b. The Pasco Transmission Cost Cap is a \$/MWh charge applied to a predetermined energy value each month, making the Pasco Transmission Cost Cap a monthly dollar amount. This dollar amount sets the maximum amount of DEF transmission that Pasco is responsible for paying. If the actual cost of DEF transmission service is less than or equal to cost cap value, then Pasco pays 100 percent of the actual costs. Tampa Electric is responsible for paying the difference of actual DEF transmission service cost that exceed the monthly cost cap value.
 - c. Tampa Electric evaluated the Pasco Transmission Cost Cap and negotiated contractual provisions that mitigate the transmission cost risk to Tampa Electric. In its evaluation, Tampa Electric compared the Pasco Transmission Cost Cap to DEF's December 2021 10-year transmission rate forecast. By comparing the Pasco Transmission Cost Cap to the projected cost of DEF transmission, Tampa Electric determined that it is unlikely to pay incremental amounts of third-party transmission before 2028, and the agreement is expected to provide at least \$4.3 million in savings to customers over the term of the agreement after accounting for the company's projected share of transmission costs. In addition, if Pasco receives additional market revenues from the sale of renewable energy credits, Tampa Electric may be reimbursed for transmission costs from

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those proceeds. In addition, at the time Pasco and Tampa Electric agreed to the Pasco Transmission Cost Cap, the 10-year average annual growth rate ("AAGR") for DEF December 2021 transmission rate forecast was 10.6 percent. The AAGR for DEF's most recent transmission rate forecast dated November 2022 is 7.9 percent, which further reduces the amounts of potential transmission costs Tampa Electric may pay above the Pasco Transmission Cost Cap.

- d. Please see response to 1(c), above. Tampa Electric projected it could begin incurring third-party transmission costs by comparing the Pasco Transmission Cost Cap cost to the projected cost of DEF transmission.

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2. Can you provide an analysis and/or calculations to support the cost range savings in paragraph 22c? (petition page 7)
- A. Tampa Electric considers the full analysis/calculations to be proprietary confidential business information. However, as a description of how the company developed the cost savings range with its petition, Tampa Electric took the following steps.
- Step 1: Calculate the cost of the waste-to-energy ("WTE") power by multiplying the contract energy rate in \$/MWh by the facility's assumed annual energy production.
 - Step 2: Calculate the Tampa Electric variable system costs benefit for receiving the power. Essentially, the company used its production costing model to determine the variable (e.g., fuel; variable O&M) avoided cost benefit of the energy serving customers.
 - Step 3: Calculate the Tampa Electric fixed system costs benefit for receiving the power. Essentially, the company evaluated the fixed avoided cost benefit of the capacity being available to serve customers. An example of a fixed cost benefit is that the existence of the Pasco purchase defers Tampa Electric's need to build the 2024 reciprocating engine, which is a savings to customers.
 - Step 4: Calculate the potential third-party transmission cost to Tampa Electric.
 - Step 5: The sum of the benefits (Step 2 and Step 3) minus the cost items (Step 1 and Step 4) result in the \$4.3 million to \$11.4 million cost savings range noted in the petition.

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- 3.** Does the third-party vendor have to be a renewable facility, if TECO has to purchase power because Pasco Waste-to-Energy (WTE) defaults on the contract? (petition page 4)
- A.** No. Tampa Electric does not have to purchase a renewable energy product as a replacement if Pasco defaults. Although the Pasco facility is a renewable generator in Florida, its main benefit to Tampa Electric is the high availability of its firm capacity and fixed price energy, which creates cost savings for customers. In the event of a Pasco default, although the company would include renewable products in its search, Tampa Electric would evaluate and select the best replacement power source for customers.

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- 4.** How is TECO planning to measure generation and transmission performance to ensure that TECO and its ratepayers are getting the power and availability the contract states? (petition page 4/5)
 - A.** Tampa Electric will compare the amount of energy it receives from Pasco monthly to the availability guarantee. Per the contract, Tampa Electric will pay Pasco a lower price for energy if the facility's actual energy delivery is less than the availability guarantee. Transmission is not a performance measure but is a potential cost to Tampa Electric. Tampa Electric will determine its potential transmission cost by comparing the Pasco Transmission Cost Cap to the actual cost of third-party transmission. Tampa Electric pays for the cost of that transmission that exceeds the Pasco Transmission Cost Cap.

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- 5.** How will the 70% availability value for Pasco WTE facility be calculated to determine if they are in contract default? (petition page 4)
 - A.** The calculation is (i) the actual energy delivered by the Pasco WTE facility divided by (ii) the maximum expected energy delivered by the facility. Per the contract, if the facility has an availability less than seventy percent (70%) for any six (6) months in a given contract year, it is considered a default.

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6. Explain the Renewal Energy Credits (REC) process? (Contract sections 12, pages 13-16)

A. The REC process can be summarized as follows. As long as there are no state or federal mandates for Tampa Electric to purchase RECs, Tampa Electric receives the RECs for all energy it purchases at no cost. As long as Tampa Electric receives the RECs at zero cost, Pasco is authorized to market the RECs associated with the energy purchased by Tampa Electric. If Pasco is successful in locating a buyer, but Tampa Electric wants to retain ownership of the RECs, Tampa Electric has the right of first refusal to pay for the RECs.

If, however, the State of Florida or federal government establishes a monetary value applicable to the facility's RECs, Tampa Electric will begin to pay Pasco either the state or federal value for the RECs, whichever is higher, and Pasco is no longer allowed to market to others the RECs associated with the energy purchased by Tampa Electric.

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7. Why does this contract use the avoided unit from the outdated July 8th, 2021 COG-2 tariff schedule (2024 18.5 MW Reciprocating Engine) and not the most recent revision (2028 18.7 MW Reciprocating Engine) filed in TECO's standard offer contract docket (20220070)? (petition page 7)
 - A. Pasco and Tampa Electric began discussions during the summer of 2021. At that time, the applicable avoided unit was the 2021 COG-2 tariff schedule that contained the 18.5 MW reciprocating engine in 2024. This is the avoided unit that forms the basis of the negotiations and economic value for both parties. Pasco and Tampa Electric agreed on commercial terms and began contract drafting in March 2022, and Tampa Electric did not file the 2022 COG-2 tariff filing until April 1, 2022. The parties did not renegotiate the transaction using the April 2022 filing because doing would have reset negotiations and unraveled the consensus on commercial terms that existed between the parties.

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8. Provide an Economic Analysis for the contract as written as well as an additional one comparing to the 2028 18.7 MW Reciprocating Engine described in TECO's current 2022 COG-2 tariff schedule. Has TECO given consideration to the fact that the Pasco WTE is larger than the avoided unit?
- A. As explained in Tampa Electric's Response to Informal Data Request No. 7, above, the parties completed negotiation of all commercial terms in March of 2022, before the company filed its updated COG-2 tariff on April 1, 2022. Consequently, the contract was developed utilizing the 2024 18.5 MW reciprocating engine as the avoided unit. Tampa Electric and Pasco County restarting negotiation of commercial terms in April 2022 based on the 2022 COG-2 tariff schedule would (i) nullify the time and resources each party put into reaching the point of agreement and (ii) take both parties back to the beginning of the negotiation process that had begun nearly one year prior.

As explained in Tampa Electric's Response to Informal to Data Request No. 2, above, Tampa Electric considers the economic analysis of the contract as written to be proprietary confidential business information. Tampa Electric is willing to provide this analysis to Staff subject to a separate request for confidential classification.

Tampa Electric does not have an economic analysis comparing the Pasco contract with the 2028 18.7 MW Reciprocating Engine described in TECO's current 2022 COG-2 tariff schedule.

As it relates to the size of the Pasco facility, Tampa Electric did account for capacity from Pasco being more than the avoided unit in the fixed savings. Specifically, the economics allow for fixed cost (e.g., expansion plan) deferral benefits for the size of the avoided unit only.

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- 9.** Is the new 2022 Municipal Solid Waste-to-Energy Program (Section 377.814 FS) applicable to Pasco WTE?
 - A.** Tampa Electric conferred with Pasco County regarding the potential applicability of Section 377.814 of the Florida Statutes to Pasco's WTE facility. Pasco County responded that Section 377.814 may be applicable to the facility, but it is not clear at this time whether the WTE will ultimately qualify for funding under the statute for two reasons. First, Pasco's understanding is that the Department of Agriculture and Consumer Services is currently developing regulations to implement the statute. Second, the statute does not currently have any funding.

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- 10.** Does this facility have a PPA with another utility currently? If not, what is the power currently generated being used for? Does TECO know about this facility's past performance and are they confident that it can reasonably meet the metrics set forth in the contract?
- A.** Pasco currently has a contract with DEF that expires at the end of 2024. Pasco's sale to Tampa Electric accordingly begins January 2025. During its negotiation with Pasco, Tampa Electric reviewed the past performance of the facility from June 2019 through April 2021 using data provided by Pasco. The performance was above 90 percent availability. In addition, Pasco is not selling to Tampa Electric the facility's maximum possible output. This provides a level of reserves that Pasco can use to keep the availability of the contract capacity high. Furthermore, reliable processing of solid waste is a critical social function. Therefore, for reasons beyond its agreement with Tampa Electric, Pasco has incentives to maintain a high availability.