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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of depreciation rates for energy storage equipment, by Tampa Electric Company.	DOCKET NO. 20190215-EI ORDER NO. PSC-2020-0116-PAA-EI ISSUED: April 20, 2020

The following Commissioners participated in the disposition of this matter:

GARY F. CLARK, Chairman
ART GRAHAM
JULIE I. BROWN
DONALD J. POLMANN
ANDREW GILES FAY

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING NEW ENERGY STORAGE EQUIPMENT DEPRECIATION CLASSIFICATION AND RATE FOR 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.).

I. Background

On December 6, 2019, Tampa Electric Company (TECO or Company) filed a request for approval of a new depreciation classification and depreciation rate for the accounting of its energy storage equipment (Petition). The Company filed its request in accordance with Rule 25-6.0436(3)(b), Florida Administrative Code (F.A.C.), which requires that: "[u]pon establishing a new account or subaccount classification, each utility shall request Commission approval of a depreciation rate for the new plant category."

Pursuant to Rule 25-6.0436(3)(a), F.A.C., electric utilities are required to maintain depreciation rates and accumulated depreciation reserves in accounts or subaccounts in accordance with the Uniform System of Accounts for Public Utilities and Licensees, as found in the Code of Federal Regulations, which is incorporated by reference in Rule 25-6.014(1), F.A.C.[1]

[1]Code of Federal Regulations, Title 18, Subchapter C, Part 101, for Major Utilities, as revised April 1, 2013.

In its annual Ten Year Site Plan filed on April 1, 2019, the Company stated that it intended to implement a 12.6 megawatt (MW) lithium-ion energy storage system adjacent to the Big Bend Solar site at Big Bend Station.[2] On January 13, 2020, TECO filed its response to Commission Staff's First Data Request. In that response, the Company stated that installation of the Big Bend Battery Project began in 2019 and TECO placed the project into service in January of 2020.[3]

Currently, the Company does not have an authorized depreciation rate for the types of equipment required for the Big Bend Battery Project or any other energy storage endeavors.

In 2017 and 2020, we approved similar petitions filed by Florida Power & Light Company (FPL) and Duke Energy Florida, LLC (DEF), respectively, for approval of a new depreciation class and rate for energy storage equipment. In those dockets, we allowed a 10 percent depreciation rate and zero net salvage for similar equipment.[4]

Presently, we are unaware of any public comments or concerns on this matter.

We have jurisdiction in this matter pursuant to Sections 366.04, 366.05, and 366.06, Florida Statutes (F.S.).

II. Decision

A. Establishment of a new annual depreciation rate applicable to energy storage equipment for TECO

As outlined in its petition, TECO does not currently maintain a stand-alone Federal Energy Regulatory Commission (FERC) account classification, nor does it have a specifically authorized depreciation rate, for investments related to energy storage. The Company is requesting authorization to record and depreciate energy storage-related investments by plant function as defined in FERC Accounts; 348 - Energy Storage Equipment – Production, 351 - Energy Storage Equipment – Transmission, and 363 - Energy Storage Equipment – Distribution. These accounts were originally established by the FERC in 2013, by Order No. 784, with the primary purpose of accounting for energy storage investments based on how specific assets are used in providing electric service.[5]

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[2]See TECO's Ten Year Site Plan, filed April 1, 2019.
[3]Document No. 00228-2020, TECO's Responses to Commission Staff's First Data Request, No. 3.
[4]Order No. PSC-2017-0359-PAA-EI, issued September 20, 2017, in Docket No. 20170097-EI, In re: Petition for approval of a new depreciation class and rate for energy storage equipment by Florida Power & Light Company; and Order No. PSC-2020-0056-PAA-EI, issued February 24, 2020, in Docket No. 20190183-EI, In re: Petition for approval of a new depreciation class and for energy storage, by Duke Energy Florida, LLC.
[5]U.S. Federal Energy Regulatory Commission, Order No. 784, issued July 18, 2013, in Docket Nos. RM11-24-000 and AD10-13-000, In re: Third-Party Provision of Ancillary Services; Accounting and Financial Reporting for New Electric Storage Technologies.

1. TECO's Proposed Depreciation Parameters

In its Petition, the Company requests our approval of a 10-year average service life (ASL), and a zero percent net salvage level (NS), for depreciating its energy storage equipment. An annual depreciation rate of 10 percent is computed by using these parameters.[6]

There is a limited amount of industry-wide depreciation data and regulatory guidance regarding energy storage equipment. In its petition, TECO referenced petitions filed in 2017 by FPL and 2019 by DEF for similar authority to establish an annual depreciation rate for energy storage equipment.[7] In those 2017 FPL[8] and 2019 DEF[9] petitions, the utilities requested a 10 percent depreciation rate and a zero percent NS level. We approved these petitions.[10]

To support its proposed parameters, TECO explained that the Company held consultations with its engineering subject matter experts and industry peers, including FPL and DEF, to arrive at its proposed 10-year ASL and zero percent NS parameters.[11]

Given that utility-scale energy storage equipment/technology is relatively new, we find the Company's proposed ASL represents a measured and reasonable approach in life estimation. TECO asserts in its Petition that its request is for accounting purposes only and would have no impact on base rates during the term of the 2017 Settlement Agreement.[12] We agree with this assertion regarding impact.

Further, based on existing rules, we will have future opportunities to evaluate TECO's depreciation data associated with useful lives and net salvage levels and to order modifications as appropriate.[13] We find that the Company's account classifications outlined in its petition, to

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[6]Rule 25-6.0436(1)(e), F.A.C., and Rule 25-6.0436(1)(m), F.A.C., specify our depreciation rate formulae and methodologies.

[7]Document No. 11245-2019, Tampa Electric Company's Petition for Approval of Depreciation Rates for Energy Storage Equipment, ¶15.

[8] Document No. 04534-2017, Florida Power & Light Company—Petition for approval of a new depreciation class and rate for energy storage equipment, filed May 1, 2017, in Docket No. 20170097-EI, In re: Petition for approval of a new depreciation class and rate for energy storage equipment, by Florida Power & Light Company.

[9] Document No. 08868-2019, Duke Energy Florida, LLC—Petition for approval of a new depreciation class and for energy storage equipment, filed September, 18, 2019, in Docket No. 20190183-EI, In re: Petition for approval of a new depreciation class and for energy storage equipment, by Duke Energy Florida, LLC.

[10]Order No. PSC-2017-0359-PAA-EI, issued September 20, 2017, in Docket No. 20170097-EI, In re: Petition for approval of a new depreciation class and rate for energy storage equipment, by Florida Power & Light Company; Order No. PSC-2020-0056-PAA-EI, issued February 24, 2020, in Docket No. 20190183-EI, In re: Petition for approval of a new depreciation class and for energy storage equipment, by Duke Energy Florida, LLC.

[11]Document No. 00228-2020, TECO's Responses to Commission Staff's First Data Request, No. 9.

[12]Pursuant to the terms of the 2017 Settlement Agreement, approved by Order No. PSC-2017-0456-S-EI, ¶ 3(b), TECO: "Except as specified in the 2017 Agreement, the company may not petition to change any of its general base rates, charges, credits, or rate design methodologies for retail electric service with an effective date for the new rates, charges, or rate design methodologies earlier than January 1, 2022."

[13]Rule 25-6.0436(4)(a), F.A.C., requires investor-owned electric companies to file a depreciation study for Commission review at least once every four years from submission of the previous study and/or pursuant to Commission order.

which any newly-established depreciation rate would apply, are consistent with recent accounting guidance from the FERC.[14]

2. Conclusion

For the reasons outlined above, we approve an annual depreciation rate of 10 percent, and a zero percent net salvage level, applicable to TECO's newly-established Account 348 - Energy Storage Equipment – Production, Account 351 - Energy Storage Equipment – Transmission, and Account 363 - Energy Storage Equipment – Distribution.

B. Authorization of transfers of plant investments and associated book reserves

TECO requested that we authorize the transfer of certain investments and corresponding reserve amounts related to energy storage equipment presently on TECO's books.[15] These assets are currently recorded to FERC Account 362 – Station Equipment, and are being depreciated at the authorized rate of 2.4 percent for this account.[16]

In response to Commission Staff's First Data Request No. 5, TECO stated the following:

> Effective in February 2020, the Big Bend Battery Storage Project plant in service and accumulated depreciation will be recorded in FERC Account 362 – Station Equipment with a depreciation rate of 2.4%. The amounts to transfer will depend on timing of the approval for energy storage depreciation rates. Once approved, the project amounts should be moved from FERC Account 362 to FERC Account 348 Energy Storage Equipment – Production, FERC Account 351 Energy Storage Equipment – Transmission, FERC Account 363 Energy Storage Equipment – Distribution, as appropriate depending on the use of the asset.

We find that the transfer of plant and reserve balances associated with energy storage is appropriate based upon the establishment of a new depreciation rate applicable to Account 348 - Energy Storage Equipment – Production, Account 351 - Energy Storage Equipment – Transmission, and Account 363 - Energy Storage Equipment – Distribution as approved above. These transfers would assist in ensuring that costs are assigned appropriately to the function for which the equipment is being used, as well as further refining cost recovery to the useful life patterns of the three energy storage (equipment) property groups.

TECO's methodology for determining its proposed plant investment apportionments focuses on how the assets are utilized on the Company's system. Specifically, if the asset is used for peak shaving, it's classified as a production investment and recorded to Account 348. If an

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[14]U.S. Federal Energy Regulatory Commission, Order No. 784, issued July 18, 2013, in Docket Nos. RM11-24-000 and AD10-13-000, In re: Third-Party Provision of Ancillary Services; Accounting and Financial Reporting for New Electric Storage Technologies.
[15]Rule 25-6.0436(2)(b), F.A.C., requires that: "[n]o utility shall reallocate accumulated depreciation reserves among any primary accounts and sub-accounts without prior Commission approval."
[16]Order No. PSC-12-0175-PAA-EI, issued April 3, 2012, in Docket No. 110131-EI, In re: Petition for approval of 2011 depreciation study and annual dismantlement accrual amounts by Tampa Electric Company.

asset is used for frequency response, it's classified as a transmission investment and recorded to Account 351. Assets that provide reliable energy back-up can be classified as a distribution investment and recorded to Account 363. If an asset serves roles across multiple functions, it is allocated on a percentage basis (by usage) accordingly.[17] We agree with the use of this methodology.

Therefore, we authorize TECO to record book transfers from Account 362 - Station Equipment to Account 348 - Energy Storage Equipment – Production, 351 - Energy Storage Equipment – Transmission, and Account 363 - Energy Storage Equipment – Distribution.

C. Effective date for the new depreciation rate

Pursuant to our above approval of a new depreciation rate for TECO's energy storage equipment, applicable to Accounts 348 - Energy Storage Equipment – Production, Account 351 - Energy Storage Equipment – Transmission, and Account 363 - Energy Storage Equipment – Distribution, the effective date this new rate shall be upon this Order becoming final.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that an annual depreciation rate of 10 percent, and a zero percent net salvage level, applicable to Tampa Energy Company's energy storage equipment, is approved. It is further

ORDERED that book transfers from Account 362 - Station Equipment to Account 348 - Energy Storage Equipment – Production, 351 - Energy Storage Equipment – Transmission, and Account 363 - Energy Storage Equipment – Distribution are authorized. It is further

ORDERED that the newly-authorized depreciation rate for energy storage equipment applicable to Account 348 - Energy Storage Equipment – Production, Account 351 - Energy Storage Equipment – Transmission, and Account 363 - Energy Storage Equipment – Distribution, shall become effective upon this Order becoming final. 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, Florida Administrative Code, 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 in the event this Order becomes final, this docket shall be closed.

[17]Document No. 00228-2020, TECO's Responses to Commission Staff's First Data Request, No. 8.

By ORDER of the Florida Public Service Commission this 20th day of April, 2020.

ADAM J. TEITZMAN
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
(850) 413-6770
www.floridapsc.com

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

KMS

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 May 11, 2020.

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.