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February 28, 2013

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COMMISSION
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Ms. Ann Cole, Director
Division of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Tampa Electric Company's Petition for Expedited Approval of Asset Optimization Incentive Mechanism; FPSC Docket No. 130024-EI

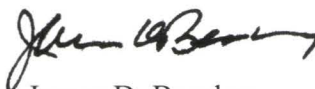
Dear Ms. Cole:

Enclosed for filing in the above-styled matter are the original and five (5) copies of Tampa Electric Company's responses to Staff's Third Data Request (1-12) that were contained in a February 20, 2013 letter from Ms. Martha F. Barrera to the undersigned.

Please acknowledge receipt and filing of the above by stamping the duplicate copy of this letter and returning same to this writer.

Thank you for your assistance in connection with this matter.

Sincerely,



James D. Beasley

JDB/pp
Enclosure

cc: Ms. Martha F. Barrera (w/enc.)
J.R. Kelly/Patricia A. Christensen (w/enc.)

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TAMPA ELECTRIC COMPANY
DOCKET NO. 130024-EI
STAFF'S THIRD DATA REQUEST
REQUEST NO. 1
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1. Please refer to TECO's response to staff's first data request, item number 4. Are there any capacity charges or amounts associated with short-term wholesale sales reported on the A6 Schedule? If yes, please explain these charges or amounts and how they are reported. In addition, please provide an actual example of capacity charges or amounts associated with a short-term wholesale sale reported on the A6 Schedule.
 - A. No. If any capacity payments were received as part of a short-term sale, they would be reported on the capacity clause filing. No capacity sales revenue has been reported on the A6 Schedule.

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2. Please refer to TECO's response to staff's first data request, item number 5.
 - a. Why does TECO propose reporting short-term wholesale purchases on the A7 Schedule?
 - b. Will this proposed method result in duplicate entries in the A7 and A12 Schedules? Please explain.
 - c. Would TECO's economic dispatch model include the cost and capacity of short-term purchase power contracts? Please explain.
 - d. Under TECO's proposal, how would TECO recover the capacity costs associated with a short-term wholesale purchase?

- A.
 - a. Tampa Electric does not propose to report short-term wholesale purchases on the A7 Schedule. However, if the Commission were to request that shorter duration purchases be included on the A7 Schedule those gains would be reflected.
 - b. No. Tampa Electric does not intend to report short-term purchases on the A7 Schedule.
 - c. Yes. The MW capacity and all variable costs associated with a purchased power agreement are considered in the company's economic dispatch model.
 - d. The capacity payments associated with a short-term wholesale purchase are included for cost recovery through the capacity clause. However, Tampa Electric would consider any capacity payments when calculating the savings for that particular transaction.

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- 3.** Please refer to TECO's response to staff's first data request, item number 7.
- a. Does TECO's economic dispatch model currently (or will) include the cost and capacity payments of these long-term purchase contracts? Please explain.
 - b. Under TECO's proposal, how would TECO recover the capacity costs associated with a long-term purchased power contract when making a wholesale sale based on temporarily not needing the contracted capacity?
 - c. Regarding questions (c) above, will TECO make an adjustment to the capacity cost recovery schedules or to the proposed "Total Gains" schedule when making a short-term wholesale sale based on a long-term wholesale purchased power contract? Please explain the proposed cost recognition, assignment, and reporting.
- A.**
- a. The company's economic dispatch model includes the variable costs associated with its long-term purchases. Fixed costs—such as capacity payments—do not affect the incremental (in the case of a sale) or avoided (in the case of a purchase) costs. This is because the fixed costs are in both the "with" and "without" cases. Thus, fixed costs net to zero impact in the calculated differential.
 - b. For the purpose of making a short-term sale, the capacity cost would be recovered as it is currently, which is through the capacity cost recovery clause; however, the sale gains also flow back to the customer through the incentive mechanism at 100 percent up to the first \$9 million of threshold gain.
 - c. No. The economic benefits to customers of long-term purchases are considered before entering into any agreement. The evaluation to determine whether to enter into the agreement includes all capacity and energy payments associated with the transaction. Any subsequent sale would only be entered into if additional savings would be generated that would further reduce fuel and purchased power costs. The short-term sale would be reported on the A6 Schedule and any associated gains would be reflected on the same schedule and on the Total Gains Schedule.

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4. Has TECO made a short-term wholesale sale based on a long-term purchased power contract? If yes, please explain the cost recognition and reporting.
 - a. Based on this response, can TECO resell power this way? Please explain how this technically works in terms of how the supplier/generator, i.e., Calpine, sends the power to the ultimate customer as directed by TECO.

- A. Tampa Electric has made short-term sales from its long-term purchased power assets and expects to continue making such sales as the opportunities present. The process for calculating the sales gain is the same as for any other short-term sale. The difference between sale price and cost of power from the long-term asset equals the gain.
 - a. As for how the power ultimately reaches the buyer, Tampa Electric notifies the supplier/generator of Tampa Electric's desired energy schedule, i.e., what time to start and stop the resource and for how many MW in each hour. Then, using the transmission reservation and tagging process, Tampa Electric maps a path for the energy to flow from the supplier/generator to the point of delivery.

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- 5.** Please refer to TECO's response to staff's first data request, item number 8 and to the last bullet point on Sale of Solid Fuel Commodity and Transportation.
- a. Can TECO resell solid fuel transportation capacity that is has contracted for? Please explain.
 - b. If so, please provide several examples of transactions regarding this bullet point.
 - c. Has TECO carried out an actual transaction similar to what is contemplated under this bullet point? If yes, please provide a complete description of this transaction.
- A.**
- a. No. Tampa Electric cannot sell stand-alone solid fuel transportation capacity.
 - b. See the response to part (a).
 - c. No.

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6. Please refer to TECO's response to staff's first data request, item number 11.
- a. Please describe in detail TECO's "unplanned outage methodology."
 - b. How, specifically, does TECO's production cost model change or respond when an unplanned outage at a base load unit occurs?
 - c. What audit records exist that are associated with TECO's production cost model?
- A.
- a. Based on historical and current unit data, Tampa Electric calculates a forecasted percent unavailability for each resource. Essentially, the company produces a percent unplanned outage rate projection by unit, which is an input to the company's long-term production cost model. The model will then, through probabilistic methods, disperse unplanned outages throughout the year.
 - b. When an unplanned outage occurs in real time at a baseload unit, the company will mark that unit "unavailable" in its short-term unit commitment model. Also, any other updated inputs, such as pricing and operating constraints of other units, are entered in the model and it is re-run to produce a new dispatch plan for the next several days. The model results are evaluated to determine if economic purchases can be made to the benefit of the customer.
 - c. Due to the vast number of model runs that Tampa Electric performs, output reports are saved electronically and retained in accordance with the company's record retention guidelines.

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- 7.** Please refer to TECO's response to staff's first data request, item number 26 and attachments. Also refer to TECO's response to staff's first data request, item number 8.
- a. For the functions in the asset optimization column in the attachment to item number 26, does TECO intend to present the savings or gains calculation detail in the manner described in item number 8? Please explain.
 - b. If no to the above question, how does TECO propose that staff and parties verify the asset optimization gains and savings if the Commission approves this incentive mechanism?
- A.**
- a. The total monthly gains amount from the calculations described for each transaction described in Tampa Electric's response to Staff's First Data Request, No. 8, will be reflected on the Total Gains Schedule. The calculation of the gains will be available for audit and review by the Commission Staff.
 - b. The calculation of each transaction gain will be available for review and audit.

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- 8.** Please refer to TECO's response to staff's first data request, item number 26, and also to the July, 2012 A-Schedule filing. For illustrative purposes, please populate Tables 1 - 3 of the Total Gains Schedule using data supporting TECO's July, 2012 A-Schedule. Where appropriate, please list the A-Schedule reference (by page, column, or line) on the Total Gains Schedule.
 - A.** The requested schedule is attached.

**TAMPA ELECTRIC
TOTAL GAINS SCHEDULE
Actual for the Period: January through July 2012**

TABLE 1

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Month	Wholesale Sales* (MWh)	Wholesale Sales Total Gains * (\$)	Wholesale Purchases** (MWh)	Wholesale Purchases Total Savings** (\$)	Asset Optimization Savings (\$)	Monthly Gains (\$)	Cumulative Gains ("CG") (\$)	Threshold 1	Threshold 2	Threshold 1 and 2
								CG ≤ \$6.5 M 100% Benefits to Customers (\$)	\$6.5M < CG ≤ \$9.0M 100% Benefits to Customers (\$)	Total Customer Benefit (\$)
						(3) + (5) + (6)				(9) + (10)
January	19,592	38,463.99	3,494	15,953.28	26,946.94	81,364.21	81,364.21	81,364.21	-	81,364.21
February	14,589	43,668.13	6,953	25,052.86	-	68,720.99	150,085.20	150,085.20	-	150,085.20
March	22,440	24,829.45	31,228	144,780.48	-	169,609.93	319,695.13	319,695.13	-	319,695.13
April	25,656	26,135.87	48,398	237,179.42	260.97	263,576.26	583,271.39	583,271.39	-	583,271.39
May	2,867	5,345.00	51,031	184,321.82	52,716.69	242,383.51	825,654.90	825,654.90	-	825,654.90
June	16,358	16,710.16	49,046	156,254.17	25,727.87	198,692.20	1,024,347.10	1,024,347.10	-	1,024,347.10
July	26,093	22,690.00	14,571	56,808.44	37,932.64	117,431.08	1,141,778.18	1,141,778.18	-	1,141,778.18
August										
September										
October										
November										
December										
Total	127,596	177,842.60	204,721	820,350.47	143,585.11	1,141,778.18	1,141,778.18	1,141,778.18	-	1,141,778.18

* Wholesale Sales and Wholesale Sales and Total Gains are taken from Tampa Electric's A6 Schedule.

**Wholesale Purchases and Wholesale Total Savings are taken from Tampa Electric's A9 Schedule.

TABLE 2

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Month	Cumulative Gains ("CG") (\$)	Incremental Gains ("IG")	Incremental Gains ("IG")	Threshold 3	Threshold 3	Threshold 4	Threshold 4
		\$9.0M < IG ≤ \$20M (\$)	IG > \$20M (\$)	\$9.0M < IG ≤ \$20M 40% Benefits to Customers (\$)	\$9.0M < IG ≤ \$20M 60% Benefits to TEC (\$)	IG > \$20M 50% Benefits to Customers (\$)	IG > \$20M 50% Benefits to TEC (\$)
	Table 1, Col (8)						
January	81,364.21	-	-	-	-	-	-
February	150,085.20	-	-	-	-	-	-
March	319,695.13	-	-	-	-	-	-
April	583,271.39	-	-	-	-	-	-
May	825,654.90	-	-	-	-	-	-
June	1,024,347.10	-	-	-	-	-	-
July	1,141,778.18	-	-	-	-	-	-
August							
September							
October							
November							
December							
Total	1,141,778.18						

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**TOTAL GAINS SCHEDULE
INCREMENTAL OPTIMIZATION COSTS**
Actual for the Period: January through July 2012

TABLE 3

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Month	Personnel Expenses (\$)	Other Incremental Expenses (\$)	Wholesale Sales (MWh)	Cumulative Wholesale Sales (MWh)	Sales Generation Threshold ¹ (MWh)	Sales Generation Above Threshold ² (MWh)	Variable O&M Expenses (\$/MWh)	Incremental Sales Variable O&M Expenses (\$)	Total Incremental O&M Expenses (\$)
			Table 1, Col (2)			2		(7) * (8)	(2) + (3) + (9)
January	-	-	19,592	19,592	150,000	-	-	-	-
February	-	-	14,589	34,182	150,000	-	-	-	-
March	-	-	22,440	56,622	150,000	-	-	-	-
April	-	-	25,656	82,278	150,000	-	-	-	-
May	-	-	2,867	85,145	150,000	-	-	-	-
June	-	-	16,358	101,503	150,000	-	-	-	-
July	-	-	26,093	127,596	150,000	-	-	-	-
August					150,000				
September					150,000				
October					150,000				
November					150,000				
December					150,000				
Total	-	-	127,596	127,596	150,000	-	-	-	-

Footnotes:

¹ Docket No. 130024, TEC Petition, paragraph 8(b)(ii)

² Formula: If (5) - (6) > 0, then (7) = the lesser of [(5) - (6)] or (4). Otherwise, (7) = 0.

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- 9.** Please refer to TECO's response to staff's first data request, item number 32. For 2009, please reconcile the \$3,533,488 Gains on Economy Sales (A6) with the A Schedules filed with the Commission. Include in your response the A-Schedule reference (by page, column, or line).
- A.** The \$3,533,488 represents the gross amount of gains before the 20 percent retained by the company after exceeding the 3-year rolling threshold amount. As provided in Tampa Electric's response to Staff's First Request for Production of Document, the amount of gains exceeding the threshold for 2009 was \$491,208, which was retained by the company. The net amount of gains credited to the fuel clause was \$3,042,280. The net amount can be found in Tampa Electric's fuel true-up filing for 2009, filed on March 12, 2010, at Bates stamp page 219 on column 9 of Schedule A6 for January through December 2009. The amounts exceeding the threshold are also reflected on column 9 of the same schedule on two distinct lines, depending on the type of schedule where the savings occurred.

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- 10.** Please refer to TECO's response to staff's first data request, item number 32. For 2010, please reconcile the \$2,948,964 Gains on Economy Sales (A6) with the A Schedules filed with the Commission. Include in your response the A-Schedule reference (by page, column, or line).
 - A.** The \$2,948,964 represents the gross amount of gains before the 20 percent retained by the company after exceeding the 3-year rolling threshold amount. As provided in Tampa Electric's response to Staff's First Request for Production of Document, the amount of gains exceeding the threshold for 2010 was \$189,215, which was retained by the company. The net amount of gains credited to the fuel clause was \$2,759,749. The net amount can be found in Tampa Electric's fuel true-up filing for 2010, filed on March 1, 2011, at Bates stamp page 29 on column 9 of Schedule A6 for January through December 2010. The amounts exceeding the threshold are also reflected on column 9 of the same schedule on four distinct lines, depending on the type of schedule where the savings occurred.

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11. Please refer to TECO's response to staff's first data request, item number 34. For 2011 and 2012, please explain the gains in solid fuel purchasing, transportation, and storage. Show the calculation of the gains.

A. Tampa Electric used the inventory value of the coal on the ground at Big Bend Station as the basis for the cost of the commodity in the sales transactions shown in the company's response to Staff's First Data Request, No. 34. Tampa Electric subtracted the commodity cost plus the loading cost from the sales price to calculate the gain.

$$\text{Gain} = (\text{Sales Price} * \text{Quantity}) - [(\text{Commodity Cost} * \text{Quantity}) + (\text{Loading Cost} * \text{Quantity})]$$

The commodity cost includes applicable transportation and handling costs.

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- 12.** Please refer to TECO's response to staff's first data request, item number 54.
- a. Is it TECO's intent, if the Commission approves this incentive mechanism, to establish upper limits in dollars for risks associated with transactions that are part of the incentive mechanism? Please explain.
 - b. Is it TECO's intent, if the Commission approves this incentive mechanism, to include the functions in paragraphs 8(a)(i) and (ii) in the risk management plan that is filed annually in the fuel docket?
- A.**
- a. Tampa Electric has established limits and restrictions within its Risk Management Plan, which is filed annually with this Commission. Tampa Electric's Risk Management Plan addresses the transactions contemplated under the proposed incentive mechanism, and the company intends to enforce those limits on all transactions.
 - b. It is Tampa Electric's intent to add any new type of transaction that would arise related to the Incentive Mechanism to its Risk Management Plan.