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March 7, 2013

HAND DELIVERED

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 Fourth Data Request (1-15) that were contained in a March 4, 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

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

DOCUMENT NUMBER-DATE
01226 MAR-7 2013
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TAMPA ELECTRIC COMPANY
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GPIF Potential Conflict questions

1. Please state and explain whether the existence of the incentive mechanism will change or affect Tampa Electric's dispatch model including whether it would affect the threshold.
 - A. No. The incentive mechanism is independent of the dispatch model. The dispatch model is a tool used by the company to analyze self-generation assets as well as sales and purchase options. As conditions, such as system load and available generation, with the changing change, the company uses the results on its dispatch model to select the most cost-effective solution for customers.

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2. Please refer to staff's First Data Request number 11 and staff's Third Data Request number 6(b). State and explain whether the loss of a base load unit increases the system price of electricity.
 - A. An unplanned outage of any economically dispatching unit will typically increase the system price of electricity by some amount; however, by how much depends on various system and market factors. Upon experiencing an unplanned outage, the company evaluates whether a purchase or self-generation is a more cost-effective option for customers. If it is a purchase, then self-generation would not occur. Likewise, if Tampa Electric's incremental costs are more favorable than market pricing, the company would self-generate in lieu of purchasing power. This process helps minimize the system price of electricity by ensuring the next best option is selected when an unplanned outage occurs—not just on a base load resource but any unit.

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3. Please state and explain whether Tampa Electric can remove the savings on short-term purchases that accrue during an unplanned outage of a base load unit.
 - A. While it is theoretically possible to identify the savings associated with short-term purchases occurring during unplanned outages, it is not practical. An unplanned outage can occur at any time of day and be for any duration. As such, they can occur an hour, a day, a week or a month before a planned outage. When an unplanned outage occurs the company determines if it is beneficial to address other planned outage issues or return the unit to service as quickly as possible. For example, if an unplanned outage of a base load unit occurred a day before a long planned outage, the company would just perform the planned outage work a day earlier. Additionally, many times issues unrelated to the unplanned outage are addressed during the unplanned outage in order to improve the performance of the unit. Addressing these issues during the unplanned outage is not only an efficient use of labor resources but may also benefit customers by avoiding a planned maintenance scheduled later that year.

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4. Please state and explain whether Tampa Electric is able to identify and attribute the short term purchased power associated with an unplanned outage at a base load unit. Is the system able to identify this in hours?
 - A. Tampa Electric does not currently track purchased power associated with planned or unplanned outages. Tampa Electric would have to establish procedures in order to capture power purchases associated with unplanned outages. As stated in the company's response to Staff's Fourth Data Request No. 4, determining what part of an outage is unplanned or planned would be difficult, if not impossible, to isolate. Regardless, Tampa Electric believes system optimization transactions, such as purchased power whether for an unplanned outage or any other circumstance change, should be included in the incentive mechanism.

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A7 Long-term Purchase Contracts – How will these be a part of the incentive mechanism

5. Please refer to staff's First Data Request number 5, and staff's Third Data Request number 2. State whether the only involvement of long-term purchased power contracts, such as are reported on Schedule A7 in the incentive mechanism, will be for reselling power short-term for gains. Please explain.
 - A. Yes. The only gains that will count toward the incentive related to existing long-term purchased power contracts will be from short-term sales that can be made at times when the capacity and associated energy from those agreements is temporarily not needed to serve Tampa Electric customers.

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- 6.** Regarding A7 purchases, please explain whether Tampa Electric intends to resell from long-term purchased power contracts. If so, how will that work?

- A.** As stated in the response to Staff Data Request No. 5 Tampa Electric only intends on making short-term sales of its long-term purchased power contracts at times when the capacity and energy is temporarily not needed to serve Tampa Electric customers. During the sale of a long-term purchased power contract, the gain would be the sale price less the cost of the purchased power contract.

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7. Regarding A7 savings, please explain whether Tampa Electric intends to calculate "savings" based on A7 purchases? Since these contracts are part of Tampa Electric's long-term planning, why would A7 purchases be calculated as "savings?"
 - A. Tampa Electric does not intend to include any savings associated with A7 long-term purchases toward the incentive calculation.

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8. Please refer to staff's First Data Request number 7, and staff's Third Data Request number 3(b). State whether the jurisdictional separation factor for base rates or any of the clauses will be affected by any of the transactions contemplated for the incentive mechanism.
- A. No. The jurisdictional separation factor will not be affected by any of the transactions contemplated in the incentive mechanism.

Transactions between IOUs having incentive mechanisms

9. Please state the manner in which the incentive mechanism would affect power sales and purchase transactions between FPL and Tampa Electric, if this petition is approved.
 - A. Tampa Electric will continue to execute cost-effective transactions with all counter-parties including FP&L if the petition is approved. Controls and guidelines exist to ensure traders follow proper procedures when entering into any agreements and transactional details will be available for internal as well as external audits. The company must also adhere to federal laws that prohibit collusive and other fraudulent behavior in power markets.

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10. Considering all incentive mechanism functions, please explain transactions between utilities that have been approved for an incentive mechanism. As part of the explanation, please describe any potential conflicts.
 - A. Tampa Electric believes short-term sales and purchases as well as asset optimization transactions of capacity release of gas transportation, electric transmission sales and sale of solid fuel commodity or transportation asset could occur between utilities. Tampa Electric believes that controls currently exist to ensure that potential conflicts would not occur. It is worth noting that the types of transactions described already occur between utilities without conflicts.

Incentive Mechanism Transactions, Risks, and Costs

11. Please refer to staff's First Data Request number 51 and to staff's Second Data Request number 12(a). For a transaction that would occur as part of the incentive mechanism, if approved, could Tampa Electric experience a loss from one of these transactions? Please explain.
 - A. No. Tampa Electric would only enter into a transaction if there was an associated gain.

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12. Please refer to staff's First Data Request number 55. Please explain your response that "only if there are sufficient total gains to equal the amount of O&M costs incurred."
 - A. Tampa Electric would only recover incremental O&M costs if there are sufficient gains to offset those costs. For example, if Tampa Electric incurs \$300,000 in incremental O&M costs associated with the proposed incentive mechanism and only \$200,000 in total gains are achieved, then only \$200,000 would be included for recovery; and the company would not recover \$100,000 (i.e., \$300,000 - \$200,000) of the incremental O&M costs.

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Reporting - Please note that staff needs more detail for the Asset Optimization column on the sample Total Gains schedule. In addition, staff requests that, if the petition is approved, Tampa Electric provide monthly schedules for all incentive mechanism functions with the A Schedules, including incremental costs.

13. Please refer to staff's First Data Request number 26 and staff's Third Data Request number 8. Will Tampa Electric be able to provide a breakdown of gains/savings for each function?
 - A. Yes. Tampa Electric could provide a monthly schedule that would breakdown gains/savings for all incentive mechanism functions. Because the schedule will contain current market transactional data, Tampa Electric will request that much of that information be treated confidentially.

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- 14.** Please refer to staff's Third Data Request number 6(c) and staff's Second Data Request numbers 2 and 3. Please state Tampa Electric's guidelines for retaining records, specifically as discussed, records of telephone communications.
- A.** Tampa Electric retains records of all executed transactions per the company's record retention policy. To the extent applicable, telephone communications between third parties are maintained 5 years and would also be available for review.

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General

15. What would cause this incentive mechanism, if approved, to end sooner than the two year trial?
 - A. Tampa Electric is not aware of anything that would cause this incentive to end sooner than the two-year trial.