

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Fuel and purchased power cost recovery
clause with generating performance incentive
factor.

DOCKET NO. 20230001-EI
ORDER NO. PSC-2023-0107-PCO-EI
ISSUED: March 23, 2023

The following Commissioners participated in the disposition of this matter:

ANDREW GILES FAY, Chairman
ART GRAHAM
GARY F. CLARK
MIKE LA ROSA
GABRIELLA PASSIDOMO

ORDER APPROVING TAMPA ELECTRIC COMPANY'S
MID-COURSE CORRECTION

BY THE COMMISSION:

BACKGROUND

On January 23, 2023, Tampa Electric Company (TECO or Company), filed for revision of its currently-effective 2023 fuel cost recovery factors.¹ The Company subsequently filed an amended petition on February 8, 2023 (MCC Petition).² TECO's currently-effective 2023 fuel factors were approved last year at the November 17-18, and December 6, 2022 final hearing.³ Underlying the approval of TECO's 2023 factors was our review of the Company's projected 2023 fuel- and capacity-related costs. These costs are recovered through fuel and capacity cost recovery factors that are set/reset annually in this docket. However, during the 2022 annual fuel clause cycle, TECO proposed not to include its unrecovered 2022 fuel costs in the fuel factors approved at the December 6th final hearing. Instead, TECO indicated it would be petitioning for recovery of those costs through a separate filing. The primary rationale for this course of action is that the extreme volatility of the natural gas prices in 2022 made a reliable projection of final 2022 costs impractical. We subsequently ordered TECO's filing to be submitted on or before January 23, 2023.⁴

Mid-Course Corrections

Mid-course corrections are used by this Commission between annual clause hearings whenever costs deviate from revenue by a significant margin. Under Rule 25-6.0424, Florida Administrative Code (F.A.C.), which is commonly referred to as the "mid-course correction rule," a utility must notify this Commission whenever it expects to experience an under- or over-recovery of certain service costs greater than 10 percent. The notification of a 10 percent cost-to-revenue variance shall include a petition for mid-course correction to the fuel cost recovery or

¹Document No. 00380-2023.

²Document No. 01008-2023.

³Order No. PSC-2023-0026-FOF-EI, issued January 6, 2023, in Docket No. 20230001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor*.

⁴Order No. PSC-2023-0026-FOF-EI.

capacity cost recovery factors, or shall include an explanation of why a mid-course correction is not practical.

TECO's MCC Petition

TECO's net 2022 under-recovery of fuel cost is approximately \$518 million. Through its MCC Petition, TECO is proposing to both increase its currently-effective 2023 cost recovery factors by approximately \$65 million, and defer approximately \$296 million for recovery in 2024. The Company also incorporated 2023 cost reductions into its proposal. TECO is requesting that its revised fuel factors and associated tariff become effective beginning with the first billing cycle for April 2023.

We are vested with jurisdiction over the subject matter of this proceeding by the provisions of Chapter 366, Florida Statutes (F.S.), including Sections 366.04, 366.05, and 366.06, F.S.

DECISION

TECO participated in this Commission's most-recent fuel hearing which took place during November 17-18, 2022, and December 6, 2022, in this docket. The fuel order memorializing that hearing set the Company's fuel and capacity cost recovery factors effective with the first billing cycle of January 2023.⁵ However, the currently-authorized fuel cost recovery factors do not include certain fuel costs that were incurred in 2022. In support of the deferral, TECO argued that the 2022 natural gas market was so volatile that its total annual fuel natural gas cost could not be accurately predicted and that it was better to wait and use actual costs for setting rates with respect to the 2022 under-recovery. Some factors that influenced natural gas prices in 2022 include reduced storage levels, strong liquefied natural gas exports, global military conflict, and capital/expenditure discipline being practiced by drilling companies.

TECO Fuel and Purchased Power Mid-Course Correction

TECO initially filed for a mid-course correction of its fuel charges on January 23, 2023.⁶ This filing was amended on February 8, 2023.⁷ The Company's MCC petition and supporting documentation satisfies the filing requirements of Rule 25-6.0424(1)(b), F.A.C. In accordance with the noticing requirement of Rule 25-6.0424(2), F.A.C., TECO filed a letter on April 21, 2022, informing this Commission that it was projecting an under-recovery position of greater than 10 percent for the period ending on December 31, 2022.⁸ However, in analyzing settlement prices for natural gas, the Company determined that the continuing price volatility warranted deferring a decision to file for a mid-course correction.

The exact factors proposed in this proceeding are currently contemplated to be charged for 9 months. As is typical procedure, later this year newly developed 12-month-applicable factors will be proposed for implementation beginning with the first billing cycle of January 2024.

⁵Order No. PSC-2023-0026-FOF-EI.

⁶Document No. 00380-2023.

⁷Document No. 01008-2023.

⁸Document No. 02571-2022.

Actual Period-Ending 2022 Fuel Cost Recovery Position

TECO's net fuel cost recovery position at the end of 2022 is an under-recovery of \$517,989,768.⁹ TECO recovered its final 2021 true-up amount through a prior mid-course correction.¹⁰

Increased pricing for natural gas was the primary driver of the 2022 under-recovery identified above. More specifically, the Company estimated an annual natural gas cost of \$4.98 per million British thermal unit (MMBtu) in its last mid-course correction filing and derivation of customer fuel rates.¹¹ This figure includes delivery costs. However, as indicated in the Company's December 2022 A-Schedule, TECO's average 2022 cost of natural gas was \$8.32 per MMBtu, representing a difference of 67.1 percent.¹² Natural gas-fired generation comprised approximately 85.8 percent of TECO's generation mix in 2022.¹³

Projected 2023 Fuel Cost Recovery Position

TECO's 2023 fuel-related revenue requirement decreased substantially since the filing of its last cost projection in September 2022.¹⁴ More specifically, the results of this updated estimate is a reduction in TECO's estimated 2023 fuel-related costs in the amount of (\$171,157,078).¹⁵ After accounting for carrying charges on the true-up balance, the net cost difference is (\$157,006,362). The amount of the 2022 under-recovery proposed for collection in 2023 is \$221,995,615. Thus, the proposed incremental amount for inclusion into 2023 rates is \$64,989,253.

The primary factor driving the change in projected 2023 fuel costs is lower assumed pricing for natural gas. More specifically, the underlying market-based natural gas price data used for the 2023 fuel cost projection was sourced on (5-day average ending) August 1, 2022.¹⁶ This underlying data was used to produce an estimated average 2023 delivered natural gas cost of \$7.49 per MMBtu.¹⁷ However, TECO now estimates its average cost of natural gas in 2023 will be \$5.92 per MMBtu, representing a decrease of 21.0 percent.¹⁸ The updated cost estimate was based on natural gas futures/prices sourced on the 5-day average ending December 30, 2022, or roughly five months from the previous estimate that was used to set current rates.¹⁹

Recovery Period and Interest Premium

As proposed, TECO's recovery period for its 2022 under-recovery of fuel costs is over 21 months beginning April 2023 and ending December 2024.²⁰ TECO utilized the 30-day AA

⁹Document No. 01008-2023.

¹⁰Order No. PSC-2023-0026-FOF-EI.

¹¹Document No. 00350-2022.

¹²Document No. 00488-2023.

¹³*Id.*

¹⁴Document No. 05966-2022.

¹⁵Document No. 01008-2023.

¹⁶Document No. 00877-2023.

¹⁷Document No. 05966-2022.

¹⁸Document No. 01008-2023.

¹⁹Document No. 00877-2023.

²⁰Document No. 00380-2023.

Financial Commercial Paper Rate to determine its 2022 interest amount.²¹ The projected 2023 interest rate was assumed to be the forecasted Federal Funds Rate sourced via a third party, namely “Refinitiv,” of 0.263 percent (2023 monthly average).²²

Mid-Course Correction Percentage

Following the methodology prescribed in Rule 25-6.0424(1)(a), F.A.C., the mid-course percentage is equal to the estimated end-of-period total net true-up, including interest, divided by the current period’s total actual and estimated jurisdictional fuel revenue applicable to period, or $(\$360,983,406) / \$955,861,787$.²³ This calculation results in a mid-course correction level of (37.8) percent at December 31, 2023.

Fuel Factor

TECO’s currently-approved annual levelized fuel factor beginning with the first January 2023 billing cycle is 4.825 cents per kilowatt-hour (kWh).²⁴ The Company is requesting to increase its currently-approved 2023 annual levelized fuel factor beginning April 2023 to 5.239 cents per kWh, or by 8.6 percent.²⁵

Bill Impacts

Table 1 displays the bill impacts of the MCC on typical residential customers using 1,000 kWh of electricity a month. This table also includes TECO’s storm-related cost recovery proposal that, if approved, would begin in April 2023.²⁶

²¹Document No. 00877-2023, and The Federal Reserve System (U.S. Federal Reserve) published Commercial Paper Rates which can be located via the following link: <https://www.federalreserve.gov/releases/cp/>

²²Document No. 00877-2023.

²³Document No. 01008-2023, Schedule E2.

²⁴Order No. PSC-2023-0026-FOF-EI.

²⁵Document No. 01008-2023.

²⁶See Document No. 00379-2023 for further information regarding TECO’s Interim Storm Charge request.

Table 1
Tampa Electric Company
Monthly Residential Billing Detail for the First 1,000 kWh

| Invoice Component | Currently-Approved Charges March 2023 (\$) | Proposed Charges Beginning April 2023 (\$) | Difference (\$) | Difference (%) |
|--|--|--|-----------------------|--------------------|
| Base Charge | \$86.22 | \$86.22 | \$0.00 | 0.0% |
| Fuel Charge | 45.25 | 49.08 | 3.83 | 8.5% |
| Capacity Charge | (0.18) | (0.18) | 0.00 | 0.0% |
| Conservation Charge | 2.81 | 2.81 | 0.00 | 0.0% |
| Environmental Charge | 0.92 | 0.92 | 0.00 | 0.0% |
| Storm Protection Plan Charge | 3.73 | 3.73 | 0.00 | 0.0% |
| Clean Energy Transition Mechanism | 4.30 | 4.30 | 0.00 | 0.0% |
| Storm Restoration Charge ²⁷ | <u>0.00</u> | <u>10.22</u> | <u>10.22</u> | 100.0% |
| Gross Receipts Tax | <u>3.67</u> | <u>4.03</u> | <u>0.36</u> | 9.8% |
| Total | <u>\$146.72</u> | <u>\$161.13</u> | <u>\$14.41</u> | <u>9.8%</u> |

Source: TECO MCC Petition, Schedule E-10.

The storm restoration costs are with respect to Hurricanes: Dorian, Elsa, Ian, and Nicole, and Tropical Storms: Alberto, Eta, and Nestor, as well as certain storm-related software and storm reserve replenishment costs. TECO has requested recovery of these costs in Docket No. 20230019-EI. Therefore, while the proposed residential rate adjustment is shown here, neither the Interim Storm Charge nor those associated rates are at issue in this proceeding.

TECO's currently-approved total residential charge for the first 1,000 kWh of usage for March 2023 is \$146.72.²⁸ If the Company's mid-course correction and storm cost recovery proposals are approved, the current total residential charge for the first 1,000 kWh of usage beginning in April will be \$161.13, an increase of 9.8 percent. For non-residential rate classes, TECO reported that bill increases based on average levels of usage for General Service customers would range from approximately 9.2 to 10.4 percent, and for General Service Demand customers, increases would range from approximately 6.3 to 7.0 percent.²⁹

Based on the information above, we find that TECO's fuel cost recovery factors shall be adjusted by \$64,989,253 to incorporate a portion of its actual 2022 end-of-year fuel cost under-

²⁷Subject to Commission approval in Docket No. 20230019-EI.

²⁸Document No. 01008-2023.

²⁹Document No. 01060-2023.

recovery. The revised fuel cost recovery factors associated with our decision are shown on Appendix A to this order.

Effective date

Over the last 20 years in the Fuel Clause docket, this Commission has considered the effective date of rates and charges of revised fuel cost recovery factors on a case-by-case basis. We have approved fuel cost recovery factor rate decreases effective sooner than the next full billing cycle after the date of our vote with the range between the vote and the effective date being from 25 to 2 days. The rationale for that action being that it was in the customers' best interests to implement the lower rate as soon as possible.³⁰

With regard to fuel cost recovery factor rate increases, we have approved an effective date of the revised factors ranging from 14 to 29 days after the vote.³¹ We noted that typically the utility had given its customers 30 days' written notice before the date of the vote that a fuel cost recovery factor increase had been requested and provided the proposed effective date of the higher fuel factors.

In its MCC Petition, TECO proposes to collect the actual 2022 under-recovery of fuel costs over 21 months, beginning with the first billing cycle of April 2023. In the instant case, there are 27 days between our vote on March 7th and the beginning of TECO's April 2023 billing cycle (April 3rd).³²

³⁰Order No. PSC-08-0825-PCO-EI, issued December 22, 2008, in Docket No. 080001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor*; Order No. PSC-09-0254-PCO-EI, issued April 27, 2009, in Docket No. 090001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor*; Order No. PSC-11-0581-PCO-EI, issued on December 19, 2011, in Docket No. 110001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor*; Order No. PSC-12-0342-PCO-EI, issued July 2, 2012, in Docket No. 120001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor*; Order No. PSC-2012-0082-PCO-EI, issued February 24, 2012, in Docket No. 120001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor*; Order No. PSC-15-0161-PCO-EI, issued April 30, 2015, in Docket No. 150001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor*; Order No. PSC-2018-0313-PCO-EI, issued June 18, 2018, in Docket No. 20180001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor*; Order PSC-2020-0154-PCO-EI, issued May 14, 2020, in Docket No. 20200001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor*.

³¹Order No. PSC-03-0381-PCO-EI, issued March 19, 2003, in Docket No. 030001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor*; Order No. PSC-03-0382-PCO-EI, issued March 19, 2003, in Docket No. 030001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor*; Order No. PSC-03-0400, issued March 24, 2003, in Docket No. 030001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor*; Order No. PSC-03-0849-PCO-EI, issued July 22, 2003, in Docket No. 030001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor*; Order No. PSC-09-0213-PCO-EI, issued April 9, 2009, in Docket No. 090001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor*; Order No. PSC-2019-0109-PCO-EI, issued March 22, 2019, in Docket No. 20190001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor*.

³²Document No. 00877-2023.

Concerning advisement of the instant request, the Company issued a press release on January 23, 2023 informing its customers of the MCC proposal. Further, TECO will begin including a notice on customer bills starting in March. The bill notice will inform TECO's customers of the proposed rate increase. The Company also plans to post similar information to its website. The Company also separately contacted numerous high-usage customers to inform them of its proposal and the potential impact on their bills.³³

For these reasons, we find that the fuel cost recovery factors, as shown on Appendix A, shall become effective with the first billing cycle of April 2023.

Therefore, it is

ORDERED by the Florida Public Service Commission that adjustments to Tampa Electric Company's currently approved fuel cost recovery factors to incorporate a portion of the Company's actual 2022 under-recovery of fuel costs in the amount of \$64,989,253 are hereby approved. It is further

ORDERED that the fuel cost recovery factors, as shown on Appendix A to this order, shall become effective with the first billing cycle of April 2023. It is further

ORDERED that the fuel and purchased power cost recovery clause docket is an ongoing proceeding and shall remain open.

By ORDER of the Florida Public Service Commission this 23rd day of March, 2023.



ADAM J. TEITZMAN

Commission Clerk

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

SBr

³³Document No. 00877-2023.

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 or judicial review of Commission orders that is available under Sections 120.57 or 120.68, 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 or judicial review 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.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: (1) reconsideration within 10 days pursuant to Rule 25-22.0376, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Office of Commission Clerk, in the form prescribed by Rule 25-22.0376, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.



~~EIGHTY-FIFTH~~ SIXTH REVISED SHEET NO. 6,020
 CANCELS ~~EIGHTY-FOURTH~~ FIFTH REVISED SHEET NO. 6,020

ADDITIONAL BILLING CHARGES

TOTAL FUEL AND PURCHASED POWER COST RECOVERY CLAUSE: The total fuel and purchased power cost recovery factor shall be applied to each kilowatt-hour delivered, and shall be computed in accordance with the formula prescribed by the Florida Public Service Commission. The following fuel recovery factors by rate schedule have been approved by the Commission:

RECOVERY PERIOD

~~(April~~ January 2023 through December 2023)

| Rate Schedules | ¢/kWh Fuel | | | ¢/kWh Capacity | ¢/kWh Environmental |
|--------------------------|-----------------------|-----------------------|-----------------------|----------------|---------------------|
| | Standard | Peak | Off-Peak | | |
| RS (up to 1,000 kWh) | 4,908.625 | | | -0.018 | 0.092 |
| RS (over 1,000 kWh) | 5,908.625 | | | -0.018 | 0.092 |
| RSVP-1 (P ₁) | 5,2394.832 | | | -0.018 | 0.092 |
| (P ₂) | 5,2394.832 | | | -0.018 | 0.092 |
| (P ₃) | 5,2394.832 | | | -0.018 | 0.092 |
| (P ₄) | 5,2394.832 | | | -0.018 | 0.092 |
| GS, GST | 5,2394.832 | 5,6165.179 | 5,0774.683 | -0.017 | 0.090 |
| CS | 5,2394.832 | | | -0.017 | 0.090 |
| LS-1, LS-2 | 5,1694.767 | | | -0.003 | 0.066 |
| GSD Optional | | | | | |
| Secondary | 5,2394.832 | | | -0.014 | 0.084 |
| Primary | 5,1874.784 | | | -0.014 | 0.083 |
| Subtransmission | 5,1344.735 | | | -0.014 | 0.082 |
| Rate Schedules | ¢/kWh Fuel | | | \$/kW Capacity | ¢/kWh Environmental |
| | Standard | Peak | Off-Peak | | |
| GSD, GSDT, SBD, SBDT | | | | | |
| Secondary | 5,2394.832 | 5,6165.179 | 5,0774.683 | -0.06 | 0.084 |
| Primary | 5,1874.784 | 5,5605.127 | 5,0264.636 | -0.06 | 0.083 |
| Subtransmission | 5,1344.735 | 5,504075 | 4,9754.589 | -0.06 | 0.082 |
| GSLDPR, GSLDTPR | 5,1874.784 | 5,560127 | 5,0264.636 | -0.05 | 0.076 |
| SBLDPR, SBLDTPR | 5,1874.784 | 5,560127 | 5,0264.636 | -0.05 | 0.076 |
| GSLDSU, GSLDTSU | 5,1344.735 | 5,504075 | 4,9754.589 | -0.04 | 0.075 |
| SBLDSU, SBLDTSU | 5,1344.735 | 5,504075 | 4,9754.589 | -0.04 | 0.075 |

Continued to Sheet No. 6,021