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Tampa Electric's Response to Staff's Fifth Set of Interrogatories Nos. 133-139

TAMPA ELECTRIC COMPANY
DOCKET NO. 20210034-EI
STAFF'S FIFTH SET OF INTERROGATORIES
INTERROGATORY NO. 133
BATES PAGES: 1 - 2
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133. Please refer to the Direct Testimony of Lorraine L. Cifuentes. At Page 5, Line 7, the witness references "the volatile Phosphate sector."

a. Please define the "Phosphate sector." Explain in your response the relationship, if any, between the "Phosphate sector" and the Commercial/Industrial sector.

b. Explain why the witness believes the "Phosphate sector" is volatile.

c. Explain how the Company addressed volatility in forecasting customer growth, energy consumption, and retail energy sales?

d. Document 6 of Exhibit LLC-1, which presents the Company's Per Customer Energy Consumption (kWh) forecast for the 2021 through 2030 period. Please explain why the Average Annual Growth Rate is lower when the "Phosphate sector" is excluded?

e. Document 7 of Exhibit LLC-1, which presents the Company's Retail Energy Sales (GWH) forecast for the 2021 through 2030 period. Please explain why the Average Annual Growth Rate is higher when the "Phosphate sector" is excluded?

A. a. The phosphate sector is reserved for customers that mine and/or process phosphate. It is separate from the Commercial and Industrial sectors. However, for some external reports, such as in the Ten-Year Site Plan, the Phosphate sector is included with the Industrial sector.

b. The Phosphate sector is described as volatile due to the fluctuation in the demand for their products and the availability of their cogenerators to serve portions of their own loads. When cogenerators are off-line, Phosphate customers will purchase more electricity from Tampa Electric.

c. The Company addresses volatility by stabilizing the data series the company forecasts. This is done several ways:

(1) Removing volatile data, such as phosphate, from the data series we are forecasting. Peak demand is modeled excluding phosphate and then phosphate coincident peaks are added on.

(2) Another stabilizing method is to break down a customer class by rates. The Industrial and Public Authorities models are broken down by rates (e.g. GS and GSD).

(3) Forecasting by kwh-per-customer and kw-per-customer is another way to stabilize a data series. This method removes the volatility resulting from customer growth and exposes the underlying trend in energy consumption.

d. The per-customer consumption average annual growth rate ("AAGR") is lower over the forecast horizon when the Phosphate sector is excluded. After 2024, the change in phosphate remains relatively flat, while the other sectors continue to decline due to conservation, energy efficiency, and other factors.

e. Please see Tampa Electric's response to Interrogatory No. 133(d), above.

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134. Please refer to the Direct Testimony of Lorraine L. Cifuentes. At Page 8, Lines 16-19, the witness uses the term "time-trend variables."

a. Please identify the specific variables the witness is referring to, and discuss how each was used in developing the customer forecast. Address in your response how each was used to prepare the test year budget.

b. Identify what source(s) of CPI data was(were) used, if any, in preparing the customer forecast? If applicable, address in your response how each was used.

c. Identify what source(s) of inflation data was(were) used in preparing the customer forecast? Address in your response how each was used to prepare the test year budget.

A. a. Time-trend variables are used when no other variables explain the changes in the dependent variable and the dependent variable correlates with time. Time-trend variables vary by time, incrementing by 1 unit of time each month.

b. The CPI data was not used in preparing the customer forecast. Population and employment projections, or a time-trend variable were used to develop the customer forecasts.

c. Inflation data was not used in preparing the customer forecasts. Population and employment projections, or a time-trend variable were used to develop the customer forecasts.

135. Please refer to the Direct Testimony of A. Sloan Lewis. At Page 10, Line 10, the witness references "expected economic and financial conditions."

a. For preparing the 2022 Budget, please identify the specific source(s) of economic data and/or economic information the Company relied upon in order to form conclusions regarding "expected economic conditions."

b. For preparing the 2022 Budget, please identify the specific source(s) of financial data and/or financial information the Company relied upon in order to form conclusions regarding "expected financial conditions."

A. a. The primary source of economic data the Company relied upon to form conclusions regarding "expected economic conditions" was the University of Florida's Bureau of Economic and Business Research and Moody's Analytics. See Witness Cifuentes' Direct Testimony Exhibit LLC-1, Document 3. Information such as projected employment, personal income, gross domestic product ("GDP") was used in developing the company's customer and energy consumption models which is the basis for determining base revenues for the 2022 budget.

b. For the 2022 Budget, the company started developing long term debt rates in August 2020. At the time, there were only 2 banks (BMO and CIBC) that were forecasting out to 2022. The company used the average of these forecasts and added a spread of 125 basis points based on a projection for Tampa Electric 30-year notes from Scotiabank. For the short-term rates, the company used the Bloomberg Libor Forecast from January 2021 and added a spread of 7 basis points and dealer fees of 5 basis points based on projections from Bank of America.

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136. Please refer to the Direct Testimony of A. Sloan Lewis, beginning at Page 11, Line 25 and ending at Page 12, Line 12. What trend factors, other than inflation and customer growth, were broadly used by the Company in prepare the 2022 Test Year Budget?

A. The Company used 3.0 percent inflation factor for non-union & OPIEU employees (January – December) and 3.25 percent for IBEW union employees per contract (April – December). The company did not apply an inflation factor to non-labor expenses in preparation of the 2022 Test Year Budget as it continued its efforts to keep total non-labor expense flat where possible.

In some instances, amounts were budgeted based on specific operational needs or projects planned for 2022. For example, as noted in both Witness Cosby and Haines, the company is investing in customer experience focused solutions including IVR/CCM, Preference Center, Mobile-first Strategy (See Tampa Electric's Witness Melissa L. Cosby's Direct Testimony, page 52 line 24-page 53 line 5) as well as the investment in the AMI solution which will increase IT systems and integration of hardware, software, development, security, management, and data analytics, as well as the ongoing maintenance of these systems (See Tampa Electric's Witness Regan B. Haines Direct Testimony, page 31 line 31- page 32 line 3).

Additional details regarding the preparation of the 2022 Test Year Budget are described in more detail in MFR Schedules F-5 Forecasting Models and F-8 Assumptions.

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137. Please refer to the Direct Testimony of A. Sloan Lewis. At Page 12, Line 25, the witness states that the Company "used a variety of indices and factors to estimate the effects of inflation . . . in the 2022 Budget."

a. Identify each index used in the forecasting process to estimate the effects of inflation. Address in your response how each index was used.

b. Identify each factor used in the forecasting process to estimate the effects of inflation. Address in your response how each factor was used.

c. Compare the inflation forecast the Company developed to a nationally recognized CPI forecast (i.e., such as may be provided by Blue Chip Economic Indicators, a consensus forecast).

A. a. The Company did not utilize any specific indexes to estimate the effects of inflation.

b. The Company used 3.0 percent inflation factor for non-union & OPIEU employees (January – December) and 3.25 percent for IBEW union employees per contract (April – December). The company did not apply an inflation factor to non-labor expenses in preparation of the 2022 Test Year Budget as it continued its efforts to keep total non-labor expense flat where possible. Additional details regarding the preparation of the 2022 Test Year Budget are described in more detail in MFR Schedules F-5 Forecasting Models and F-8 Assumptions.

c. Tampa Electric's source for economic related data is Moody's Analytics, a nationally recognized source of economic data and therefore there is nothing to compare. The company applied a 3.0 percent inflation factor to non-union labor & OPEIU employees (January - December) and 3.25 percent for IBEW union employees per contract (April – December). As for 2022 non-labor expenses, the company chose not to apply a general inflation factor to as it continues to challenge the organization to control costs and take advantage of system automations. The CPI inflation rate in 2022 was 2.6 percent.

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138. Please refer to MFR Schedules C-35 and C-40. On Schedule C-35, at Line 3, Column 10, the increase in CPI for 2020 is shown as 0.8 percent. On Schedule C-40, at Line 16, Column 5, the increase in CPI for 2020 is shown as 1.2 percent.

a. Please explain why the values for the increase in CPI between the two schedules (Schedules C-35 and C-40) are different.

b. Please explain if this difference between the values for the increase in CPI between the two schedules (Schedules C-35 and C-40) has an effect on the Compound Multiplier used in the 2022 Test Year Budget.

A. a. MFR Schedule C-35 contained a forecasted 2020 CPI percentage increase, however, MFR Schedule C-40 contains the actual 2020 CPI percentage increase of 1.2 percent. The data point on MFR Schedule C-35 has no impact to other calculations as it is there purely to compare Gross Payroll percentage increases to CPI increases.

b. MFR Schedule C-40 is correct and the Compound Multiplier used in the 2022 Test Year Budget is appropriate and accurate.

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139. Please refer to Page 18 of 24 in Schedule F-8 (Supporting Basis for Assumptions to Operations and Maintenance Expenses) for the Projected Test Year ended 12/31/22, and also to Hearing Exhibit No. 17, MFR Schedule F, and specifically to MFR Schedule F-8, Page 19 of 24, for the Projected Test Year Ended 12/31/2014, from the hearing record for Docket No. 130040-EI [FPSC Document Number 05574-2013, Page 2,095 of 3,819] to answer the following questions:

a. Please explain why no cost change rate for General Inflation was included in the filing for the instant docket, but the similar schedule from the Company's last rate case included a forecasted CPI-U rate.

b. Please explain why no cost change rate for Vehicle Rates was included in the filing for the instant docket, but the similar schedule from the Company's last rate case included a cost change rate for Light, Medium, and Heavy Vehicle types).

c. Please explain why the cost change rate for Non-Labor O&M (Contractors and Materials) are "kept flat from 2020 levels."

d. Please explain the exception applicable for "software maintenance." Address in your response what the cost change rate is for these expenses.

A. a. The company chose not to apply a general inflation factor to 2022 non-labor expenses as it continues to challenge the organization to control costs and take advantage of system automations.

b. In Tampa Electric's 2013 rate case, vehicle charge out rates broken down by vehicle type were used to distribute total fleet costs between O&M and capital. Effective 2015, the company established a new allocation methodology to distribute these costs. The new methodology follows the operational activities (O&M and capital) that the fleet department supports. The operational activities used to establish the amounts are based on historical trends.

c. The business units were asked to keep non-labor O&M flat. The company continues to challenge the organization to control costs and take advantage of system automations.

d. In general, software maintenance could not be held flat to 2020 levels due to contractual price increases and new or renewed contracts. Software

maintenance costs increased $487,665, or 7.3 percent from the 2020's level mostly due to contractually mandated price increases for existing core ERP/CRM products, true-up licensing on our remote access solution and increased annual membership fee tied to a new strategic engagement with a third-party partner, which falls under software maintenance.