52

Tampa Electric's Response to Staff's Ninth Data Request Nos. 1-3

TAMPA ELECTRIC COMPANY
DOCKET NO. 20210034-EI
STAFF'S NINTH DATA REQUEST
REQUEST NO. 1
BATES PAGES: 1 - 3
FILED: SEPTEMBER 14, 2021

1. Paragraph 5.(h) of TECO's 2021 Stipulation and Settlement Agreement states, in part, that the total true-up amount for CETM shall be credited or debited to the Energy Conservation Cost Recovery Clause (ECCR) in conjunction with the 2036 True-Up filing in 2037. Please answer the following:

A. Explain why this proposed recovery mechanism is the most appropriate alternative. Address in your response what alternatives, if any, were considered.

B. Please explain whether the 2036 True Up filing (in 2037) will include true-up amounts for all 15 years of the CETM. If not, please explain how actual-to- projected deviations in CETM collections will be addressed for all years.

C. How will interest be calculated on CETM over/under-recovered balances for purposes of the true-up?

D. Will the Commission be periodically apprised of the status of any CETM over and under recovery amounts during the 15 year period of the CETM? Please explain.

A. a. Almost every settlement agreement considered and approved by the Commission reflects give and take among the parties and reflects an integrated package of exchanged agreements and consideration. The answer to why any particular provision was included in a settlement always boils down to a simple answer, namely, because the parties, notwithstanding their diverse and often competing interests, agreed to it. In virtually every settlement, every party likely would have objected to some feature(s) of the settlement if offered individually and not as a part of a larger integrated package, but nonetheless every party agreed to the settlement in its totality. The 2021 Agreement is no different in this regard.

Without divulging the dynamics of the negotiating process, the Parties considered two approaches to retired asset cost recovery: the CETM and a traditional rate-making approach under which the remaining undepreciated net book value would be recovered through base rates on a declining balance basis. The Parties agreed to the CETM, each for their own reasons, based on these considerations:

1. The early retirement of portions of Big Bend Units 1, 2, and 3 and the AMR assets facilitates the timely introduction of three major projects that will provide important benefits to both current and future

customers, namely Big Bend Modernization, 600 MW of Future Solar, and Automated Metering Infrastructure ("AMI"). The benefits of these projects are discussed in the prepared direct testimony filed by the company. Levelized recovery of the costs associated with early retirement of these assets prospectively over a reasonable period, from the customers who will benefit from Big Bend Modernization, 600 MW of Future Solar, and AMI implementation, appropriately matches these costs with the new, transformational cleaner generating and state-of-the-art project benefits accruing to current and future customers. This cost/benefit matching mitigates potential inter-generational cost recovery concerns.

2. The CETM is transparent in the sense that customers will be able to see how the costs of the assets being retired to enable Big Bend Modernization, 600 MW of Future Solar, and AMI will be recovered on their bills. This CETM cost recovery will not be bundled with other costs to be recovered through base rates.

3. The levelized nature of the CETM provides a measure of rate stability for customers and certainty of cost recovery for the company and mitigates the regulatory lag that can occur between rate cases when traditional declining-balance cost recovery methods are employed.

4. As shown on Exhibit J to the 2021 Agreement, the net present value ("NPV") cost recovery under the CETM equals the NPV of cost recovery under traditional declining balance/bundled base rate ratemaking if base rates are reset every year to reflect the declining balance, which, of course, does not usually happen.

5. The CETM contains true-up provisions that will ensure that the costs incurred will be recovered - no more and no less.

b. While the 2021 Agreement only requires Tampa Electric to execute one true up in 2037, the 2021 Agreement does not prohibit, and the company is agreeable to an approach that involves more than one true up. Paragraph 5(a) of the 2021 Agreement requires Tampa Electric to update the CETM billing factors every three years (in the absence of an intervening base rate case filing). If the Commission believes that more frequent true ups are appropriate, the company suggests that it could credit or debit any over/under-recovery balance through the Energy Conservation Cost

Recovery Clause at the same time it updates the CETM billing factors. The company has been advised that the Consumer Parties do not object to this approach.

c. Interest on CETM revenue over/under-recoveries will be calculated based on the 30-day commercial paper rate as set out in Commission Rule 25-6.109, F.A.C., which governs electric utility refunds.

It is important to note, however, that the signatories to the 2021 Agreement agreed to a specific method for calculating carrying costs for the dismantlement cost true up described in Paragraph 5(e) of the 2021 Agreement. This dismantlement cost true up is one of the CETM true ups specified in the 2021 Agreement. Paragraph 5(e)(ii) of the 2021 Agreement specifically provides that the dismantlement cost true up will be calculated as "the difference between the actual amount of dismantlement costs incurred and the Big Bend Retirement Asset Dismantlement Estimate, <u>plus the associated carrying costs utilizing the company's then applicable overall ROR</u>." (emphasis added).

d. Yes. Tampa Electric plans to file a status report apprising the Commission of the company's over/under-recovery for the CETM every three years beginning in 2025. If the Commission believes more frequent reporting is necessary or appropriate, Tampa Electric is willing to report over- or under-recoveries of the CETM monthly through the company's monthly earnings surveillance reports.

2. Paragraph 5.(b) states the "Update Period filing" will be submitted for Commission review contemporaneous with the projected ECCR filings in the year prior to the proposed effective date of the new CETM factors. Please answer the following questions:

A. Does TECO intend to file the Update Period filing within the ECCR annual docket or via an alternative case management docket, such as a standalone docket that remains open through 2037?

B. Does TECO intend that the CETM tariff filing referenced in Paragraph 5.(d) will be included as part of the filing described in Paragraph 5.(b)? If separately filed, please explain.

C. What Commission review process do the parties envision should be used to process the Update Period filing(s) discussed in Paragraphs 5.(b) and 5.(d)?

A. a. Tampa Electric intends to file the Update Period filing in the docket designated for undocketed matters (*i.e.,* Docket No. 20250000-EI or its equivalent) and will continue to file Update Period filings in the then-current undocketed matters docket throughout the term of the CETM.

b. Yes.

c. The company proposes to make its Update Period filings as specified in the response to question 2.a, above. The company anticipates that the Commission will want to review the calculations used to develop the new factors and to ensure that the billing determinants used in the calculations conform with the 2021 Agreement. The company, of course, will be willing to provide additional information to the Commission upon request.

TAMPA ELECTRIC COMPANY
DOCKET NO. 20210034-EI
STAFF'S NINTH DATA REQUEST
REQUEST NO. 3
BATES PAGES: 5 - 7
FILED: SEPTEMBER 14, 2021

3. Paragraph 13.(h) of TECO's 2021 Stipulation and Settlement Agreement states, in part, that beginning January 1, 2022, the Company may increase the number of energy efficiency kits provided to customers served in its Energy and Renewable Education, Awareness and Agency Outreach programs by 1,000 to 1,750. The paragraph also provides that the Company may also increase the number of residential customers served under its Neighborhood Weatherization program from 6,500 to 7,500. Please address the following questions:

A. Please identify the specific purpose and expected result of this 2021 Settlement provision, taking into account any Commission-approved participation targets and/or limits, etc. for these programs.

B. What does TECO anticipate will be the impact of Paragraph 13(h) on the Company's ECCR program and cost recovery factors in 2022, 2023, and 2024?

C. Assuming TECO's 2021 Stipulation and Settlement Agreement proposal is adopted, describe and discuss the timing of regulatory filing(s) to modify the Company's approved DSM Plans in order to incorporate the provisions of Paragraph 13.(h). Discuss in your response all other steps that will be necessary to implement these provisions.

A. a. The main purpose and expected result of this 2021 Settlement provision is to accelerate the recognized benefits of the Neighborhood Weatherization, and Energy and Renewable Education, Awareness and Agency Outreach programs by a projected incremental increase of 1,750 low-income participants on an annual basis for the years 2022 through 2024. This projected incremental increase will provide both short and long-term benefits to these customers in need. The incremental increase will also increase the overall low-income customer penetration rate of the Neighborhood Weatherization program to approximately 50 percent by the end of 2024 (approximately 65,000 participating customers).

b. Tampa Electric projects the cost impacts on the existing Neighborhood Weatherization and Energy and Renewable Education, Awareness and Agency Outreach programs to total \$847,000 (\$814,000 for Neighborhood Weatherization and \$33,000 for Energy and Renewable Education, Awareness and Agency Outreach) on an annual basis for 2022, 2023, and 2024.

2022: The ECCR projection to establish cost recovery factors for 2022 has been filed previously and will not be affected by this projected increased amount of participation in these two programs.

2023: The ECCR cost recovery factor for 2023 is expected to increase by 9.96 cents monthly for a residential customer using 1,000 kWh to recognize the costs of the projected incremental increase in program participation in 2022 and 2023.

2024: The ECCR cost recovery factor for 2024 is expected to increase by 4.98 cents monthly for a residential customer using 1,000 kWh to recognize the costs of the projected incremental program participation in 2024.

Tampa Electric is not proposing to modify the two Demand Side Management ("DSM") programs beyond incrementally increasing the projected annual participation levels for 2022, 2023 and 2024. The company projects the program contribution impacts on these two programs to provide the following additional summer and winter demand savings and annual energy savings if the projected incremental increase in participation is achieved:

Neighborhood Weatherization

Summer Demand:	534 kW
Winter Demand:	643 kW
Annual Energy:	1,932 MWh

Energy and Renewable Education, Awareness and Agency Outreach

Summer Demand:	31 kW
Winter Demand:	38 kW
Annual Energy:	360 MWh

c. Tampa Electric believes it has the ability to incrementally increase the projected participation of these two DSM programs in order to implement the provisions of Paragraph 13.(h) of the 2021 Agreement without modifying the company's Commission approved DSM Plan.

The company's only proposed change is the incremental increase in participation in each of these DSM programs. The company proposes to increase participation in the Neighborhood Weatherization program by 1,000 participants per year (from 6,500 to 7,500), or an incremental increase of 15.4 percent, and the Energy and Renewable Education, Awareness and Agency Outreach program by 750 participants per year (from 1,000 to 1,750), or an incremental increase of 75 percent. The company believes that a separate filing would be required if the company were to change any of the Commission approved measures that are incorporated within each program; make a change that would affect the description or intent of the DSM program; or make a change in any of the Commission approved components of the program's DSM Standards. There are no cash incentives provided to the customers in these programs nor are there any other type of monetary provisions (such as a gift card). Both programs continue to promote the objectives of the Florida Energy Efficiency and Conservation Act, and their participation and associated costs are detailed in the recurring filings to the Commission within the ECCR docket and the DSM report provided to the Commission on March 1 each year.