AUSLEY & MCMULLEN
ATTORNEYS AND COUNSELORS AT LAW
123 SOUTH CALHOUN STREET
P.O. BOX 391 (ZIP 32302)
TALLAHASSEE, FLORIDA 32301
(850) 224-9115 FAX (850) 222-7560

July 20, 2012

HAND DELIVERED

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

Re: Petition of Tampa Electric Company to Recovery Capital Costs of Polk Fuel Cost Reduction Project through the Fuel Cost Recovery Clause.
Docket No. 120153-EI.

Dear Ms. Cole:

Enclosed for filing in the above-styled matter are the original and five (5) copies of Tampa Electric Company's Answers to Staff's Second Data Request (Nos. 1-8).

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: Jennifer S. Crawford (w/enc.)
Patricia A. Christensen (w/enc.)

COM ____
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1. Please refer to TECO's June 22, 2012 Answers to Staff's First Data Request, Request Numbers 11 and 50. Should the values contained in the "Total" column of Request No. 11 be the same as the values found in the third column of Request No. 50?

   a) If no, why should the values be different?
   b) If yes, why are some of the values different?

A. a. No.

   b. The values in the response to Staff's First Data Request, No. 50 reflect the costs that would be recovered through the fuel clause if the Polk 1 project was approved by the Commission. While the cumulative present value revenue requirements ("CPVRR") fuel costs would be same as those shown on the responses to Staff's First Data Request No. 11 the capital recovery costs would be based on the revenue requirements associated with the proposed 5 year amortization and return. So, in 2013 the capital recovery would be limited to $3,023,565 while the capital CPVRR for that year is $3,803,000. The amount reflected on Staff's First Data Request No. 50 is the summation of the $3,023,565 and the fuel CPVRR for 2013. The yearly revenue requirement amounts associated with the Polk Unit 1 fuel project are shown below.

Revenue Requirement Components ($)

	ROI	Depreciation	O&M	Income Tax[1]
2012	0	0	0	0
2013	1,064,893	1,956,672	0	0
2014	1,312,101	2,938,008	0	0
2015	969,811	2,938,008	0	0
2016	627,523	2,938,008	0	0
2017	285,236	2,938,008	0	0
2018	19,014	979,296	0	0

1 Income Tax Including Property Tax and Ad Valorem Tax

2. Please refer to TECO's June 22, 2012 Answers to Staff's First Data Request, Request Numbers 12 and 50. Should the values contained in the "Total" column of Request No. 12 be the same as the values found in the second column of Request No. 50?

a) If no, why should the values be different?
b) If yes, why are some of the values different?

A. a. Yes.

b. The annual values are the same. The only difference is that the company's response to Staff's First Data Request No. 12 begins with the year 2012 as opposed to Tampa Electric's response to Staff's First Data Request No. 50, which begins with the year 2013, when the project will be in service and achieving fuel savings. As noted on the response to Staff's First Data Request No. 12, it is a function of the model that it calculates the fuel CPVRR for the current year. However, the amount for the 2012 fuel CPVRR is the same in the responses to Staff's First Data Request, Nos. 11 and 12, *i.e.,* there is no change in fuel expense in the two scenarios because the project is not in service in 2012.

3. Please refer to TECO's June 22, 2012 Answers to Staff's First Data Request. In the response to Request Number 17(b), TECO asserts that if costs exceed fuel savings for any particular year, those costs "would be treated like other capital projects and recovered through base rates."

a) Please identify how the Company would recover those costs in base rates. Specify in your response when rates would be changed for the increased revenue requirement.

b) Please list by Docket or Order Number when the Commission has allowed cost recovery as proposed in this case.

A. a. In the event the revenue requirements exceeded fuel savings for a given year Tampa Electric proposes to first forego the return on investment to the extent costs exceed fuel savings. If the fuel savings did not exceed the depreciation for that year then that portion of the un-depreciated asset would be placed in Plant-in-Service where Polk Unit 1 depreciation study rates approved by the Commission would be applied. On a stand-alone basis, this project would not cause the company to seek a change in base rates.

b. Previously, in Orders No. PSC-1045-FOF-EI, PSC-95-1089, and PSC-0353-FOF-EI, the Commission limited cost recovery to actual fuel costs and deferred recovery of any difference to future periods. The company would accept this approach in an effort to remain consistent with previously issued orders. However, as stated in the company's response to Staff's First Data Request, No. 17, Tampa Electric expects fuel savings to exceed costs, which is the reason the company proposed to cap recoverable costs at the amount of actual fuel savings.

4. In its Petition and in TECO's response to Request Number 17(c), TECO proposes cost recovery over a five-year period.

a) If the Commission considered an alternative to a five-year recovery period, please discuss the impact of a more accelerated cost recovery period (e.g., a three-year recovery period instead of five). Include in your response whether TECO is opposed to a more accelerated cost recovery period.

b) If the Commission considered an alternative to a five-year recovery period, please discuss the impact of a less accelerated cost recovery period (e.g., a seven-year recovery period instead of five). Include in your response whether TECO is opposed to a less accelerated cost recovery period.

A. a. Tampa Electric is opposed to a more accelerated, or shorter, cost recovery period than the proposed five-year recovery period. Such an alternative would result in greater annual costs over the shorter cost recovery period, and therefore, fuel savings may not necessarily exceed costs. If the Commission were to consider a shorter recovery period, then Tampa Electric would propose to defer recovery of any differences between costs and fuel savings to future periods.

b. Tampa Electric does not believe a less accelerated, or longer, cost recovery period is necessary since the company's analysis shows a five-year recovery period provides adequate time to fully recover the project costs.

5. Assuming a five-year cost recovery period was established, would TECO be opposed to continuing the amortization if the total project costs were not recovered in the five-year time frame? Please explain your response.

A. No. Tampa Electric would support continuing the amortization if the total project costs were not recovered in the five-year time frame. The company felt it was reasonable to cap the recoverable costs because anticipated fuel savings are projected to exceed the project costs over the five-year period.

6. Is there a threshold for which the Company would not seek recovery through base rates if the total project costs were not recovered in the five-year time frame? Please explain your response.

A. No. The company has not contemplated a threshold for recovery of project costs through base rates if the total project costs were not recovered during the five-year amortization period. If a catastrophic failure occurred at Polk Unit 1, it is conceivable that costs could exceed fuel savings for that period.

7. Please refer to TECO's June 22, 2012 Answers to Staff's First Data Request. For each year identified in Request Number 31, provide the following:

a) The Return on Investment (ROI) part of the revenue requirement;
b) The depreciation component of the revenue requirement;
c) The operations and maintenance (O&M) expense component of the revenue requirement;
d) The income tax component of the revenue requirement, including the property tax and ad velorum tax portions.

A. The requested information is provided in the company's response to Staff's Second Data Request No. 1.

8. For each response provided in Question 7 above, please state the capital structure, rate of return, and source.

A. The requested information is provided in the table below.

Capital Structure and Rate of Return

	Ratio	*Cost Rate*	*Weighted Cost*
Common Equity	46.11%	11.25%	5.19%
Long-Term Debt	39.11%	6.80%	2.66%
Short-Term Debt	0.22%	2.75%	0.01%
Preferred Stock	0.00%	0.00%	0.00%
Customer Deposits	3.64%	6.07%	0.22%
Deferred Income Taxes	10.62%	0.00%	0.00%
Tax Credits – Zero Cost	0.00%	0.00%	0.00%
Tax Credits – Weighted Cost	0.31%	9.19%	0.03%
Total	100.00%		8.11%

Source: Order No. PSC-09-0283-FOF-EI