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February 13, 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 First Data Request (1-55) and Production of Documents (1-2)) that were contained in a February 6, 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

COM
AFD 3
APA
ECO
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GCL
IDM
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JDB/pp
Enclosure

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

1. In paragraph 8(a)(iii) of the Petition, TECO states that the $6.5 million "Customer Savings Threshold" is based on the "savings achieved by Tampa Electric over the last four years in short-term economic sales and purchases rounded up to the nearest half million dollar amount." Why does TECO believe that a threshold based on a four-year historical average is more appropriate than a projected year, which was the methodology utilized in the recent Commission-approved FPL settlement agreement?

A. Tampa Electric's proposed incentive threshold is based on a four-year historical average of gains on 2009-2012 economic sales and purchases, rounded up to the nearest half million dollar amount. The company believes this methodology provides a representative measure of the level of savings the company should expect to achieve prospectively, provided significant changes are not occurring in the generating assets that would materially affect dispatch of the units. Tampa Electric's generation profile has been relatively consistent the last several years and is expected to remain the same over the next several years. It is worth noting that FP&L acknowledged during their Settlement hearing that their $46 million threshold was fairly close to their ten-year average of gains on short-term sales and purchases, excluding certain years where significant purchases occurred due to amount of oil-burning units in their system. Finally, Tampa Electric has not historically projected economic purchase fuel savings as part of its fuel projection filing since the modeling for those types of transactions are dependent on market conditions such as weather, fuel pricing, available market capacity and unit availability that are difficult to predict with any certainty.

2. How did TECO calculate the $2.5 million "Additional Customer Savings" threshold level discussed in paragraph 8(a)(iii) of the Petition?

A. Tampa Electric compared FP&L's projected 2013 total fuel and net power transaction costs to its own 2013 projected total fuel and net power transaction costs. Tampa Electric's costs are approximately 22.6 percent of FP&L's so the company rounded the percentage up to 25 percent and applied that percentage to the $10 million additional savings FP&L utilized as their stretch goal to arrive at the $2.5 million amount.

3. Please refer to the petition, paragraph 8(a)(i). In subsection (a)(i), please define the following terms: short-term wholesale sales, and short-term wholesale purchases. As part of the definition, please distinguish these terms from long-term wholesale sales and purchases.

A. The term "short-term wholesale sales" refers to power sales transactions that are non-separated, *i.e.*, non-firm or have a term of less than one year. Likewise, the term "short-term wholesale purchases" refers to purchases that are non-firm or have a term of less than one year. These terms are distinguished from long-term purchases and separated wholesale sales.

4. Are the short-term wholesale sales stated in the Petition only reported on Schedule A6 in the fuel A Schedules filed in Docket No. 120001-EI (the fuel docket)?

A. Yes. Currently, short-term wholesale sales referenced in Tampa Electric's petition are only reported on Schedule A6 in the A Schedules filed in the recurring fuel docket. Any capacity amounts associated with these transactions would be listed on the total gains schedule.

5. Please refer to Schedule E-12 filed August 31, 2012 in the fuel docket. Also refer to Schedule A-7 of TECO's fuel A Schedules filed in the same docket. Why does TECO, in paragraph 8(a)(i) of its Petition, include purchases reported on Schedule A7 in short-term wholesale purchases when TECO's E-12 and A-7 schedules in the fuel docket indicate these purchases are made under long-term contracts?

A. While Tampa Electric currently reports only long term contracts on the Schedule A7, the petition states that the company will include short-term purchases reported on Schedule A7 in the incentive, so that there will be no question as to the appropriate treatment if short-term purchases are shown on Schedule A7 in the future. Any capacity amounts associated with these transactions would be listed on the total gains schedule.

6. Are TECO's agreements to supply power under long-term wholesale sale contracts affected by this proposed incentive mechanism? Please explain.

A. No, the incentive mechanism would not affect the company's agreements to supply power under long-term wholesale sales contracts. This is particularly true since Tampa Electric currently has no long-term wholesale sales customers. Regardless, since the proposed incentive mechanism optimizes temporarily available generation or fuel assets, the transactions under the incentive mechanism would occur only to the extent the native load (retail and wholesale long-term firm) customers' requirements had already been met.

7. Are TECO's long-term power purchase agreements as reflected on the A7, A8, and A12 Schedules affected by this proposed incentive mechanism? Please explain.

A. These long-term purchases are part of Tampa Electric's resource portfolio and are under contract through their respective terms. As with the company's own generation resources, the existence of the incentive mechanism does not affect Tampa Electric's use of them to serve customers. However, to the extent Tampa Electric optimizes those long-term power purchase agreements, by making short-term sales at times when the capacity is temporarily not needed, benefits derived from the optimization of the capacity and energy from those agreements would be included in the incentive mechanism.

8. Refer to paragraphs 8(a)(i) and (ii) of the Petition. Please describe each function – short-term wholesale sales, short-term wholesale purchases, gas storage utilization, etc., in detail and provide examples.

A. The transaction types listed below have been contemplated by Tampa Electric so far and stated in the petition. Tampa Electric expects that more transaction types will be identified in the future and would submit those transactions to the Commission for approval when they benefit customers.

Short-Term Wholesale Sales

- Tampa Electric may be able to make short-term wholesale sales when the power is not needed for its own requirements. Short-term wholesale sales are those that are non-firm or have a term of less than one year.

  Calculation:
  Gains = total sale price less total incremental costs of providing power from the marginal power source (generation or another purchase)

Short-Term Wholesale Purchases

- Tampa Electric may be able to make short-term wholesale purchases when the power is less expensive than its other sources of power to meet load requirements. Short-term wholesale purchases are those that are non-firm or have a term of less than one year.

  Calculation:
  Gains = total purchase price less total incremental costs of providing power from the marginal power source (generation or another purchase)

Asset Optimization

Beyond short-term power sales and purchases, Tampa Electric will attempt to create additional value through other forms of asset optimization including natural gas storage optimization, natural gas sales, capacity releases of natural gas transportation, selling unused electric

transmission, and potentially outsourcing the optimization function to a third party in the form of an Asset Management Agreement ("AMA").

- Gas Storage Optimization – Tampa Electric may be able to either sub-lease a portion of its gas storage capacity or sell gas directly out of storage. Tampa Electric would seek to execute these types of transactions predominately during non-critical demand periods when full gas storage volumes are not required. The revenue that would be generated from either type of transaction, a lease payment or a gain on the sale of gas, would directly benefit customers by reducing overall natural gas expenses.

  Calculation:
  Gas storage capacity gains = the revenue received for the natural gas storage sublease
  Gas commodity from storage gains = the sales price minus [the commodity cost plus variable costs (if applicable)]

- Delivered City-Gate Gas Sales – Tampa Electric may be able to make natural gas sales in the Market Area utilizing its natural gas transportation capacity when it is not needed for its own requirements. While the opportunity for these types of sales is limited due to Tampa Electric's high utilization of its firm gas transportation and the necessity to retain a portion of its gas transportation to cover contingency, if Tampa Electric was able to execute this type of sale, the gain would benefit customers by reducing overall natural gas expenses.

  Calculation:
  Gains = the sales price minus [the commodity cost plus variable costs (if applicable)]

- Production (Upstream) Area Gas Sales – Tampa Electric would engage in these types of gas sales when generation or consumption requirements change, prompting Tampa Electric to balance its natural gas supply with its demand. These types of sales are made in the Production Area and may not require Tampa Electric to use its natural gas transportation capacity. Opportunities could potentially exist outside of balancing requirements. Gains for these transactions would benefit customers by reducing overall natural gas expenses.

Calculation:
Gains = the sales price minus [the commodity cost plus variable costs (if applicable)]

- Capacity Release of Gas Transportation – Tampa Electric could directly sell a portion of its gas transportation capacity for short durations when it is not needed for its own requirements. While the opportunity for these types of sales is limited due to Tampa Electric's high utilization of its firm gas transportation and the necessity to retain a portion of its gas transportation to cover contingency, if Tampa Electric was able to execute this type of sale, the revenues would benefit customers by reducing overall natural gas expenses.

  Calculation:
  Gains = the revenues received for the gas transportation capacity sale

- Electric Transmission Sales – Electric transmission sales refers to term (*e.g.*, hourly; daily; weekly; monthly) transmission previously reserved by the company's Marketing function that is re-released to the wholesale market. During times when Tampa Electric Marketing is not using the transmission reservation to serve the intended wholesale customer or for the intended company purchase, Tampa Electric would offer that transmission to other power market participants for a fee.

  Calculation:
  Gains = the revenues from the re-sale of the transmission capacity

- AMA – Tampa Electric may be able to negotiate with independent third party entities regarding revenues Tampa Electric would receive to manage all or a portion of the optimization of its natural gas storage or natural gas transportation capacity. The third party would typically have an existing portfolio of assets that, when combined with Tampa Electric's asset(s), could be optimized to provide value to both entities. Tampa Electric would not enter into an AMA with a company that is affiliated with Tampa Electric or TECO Energy. Any revenues received from an AMA would benefit Tampa Electric's customers by reducing overall fuel expenses.

  Calculation:
  Gains = the net revenues received from the asset manager

- Sale of Solid Fuel Commodity or Transportation - Tampa Electric may be able to sell solid fuel commodity and transportation to a third party purchaser for short durations when it is not needed for its own requirements. While the opportunity for these types of sales is limited due to the company's utilization of its commodity and solid fuel transportation, if it was able to execute this type of sale, the revenues would benefit customers by reducing overall fuel expenses.

  Calculation:
  Gains = the sales price minus (the commodity costs plus variable transportation costs)

9. Refer to paragraph 8(a)(ii) and to the bullet point on "Production (upstream) area sales." Why is the use of TECO's existing gas transportation capacity necessary for such a sale? As part of the response to this question, please provide an example of a production area sale.

A. Production (Upstream) Area Sales do not require but may include the use of Tampa's Electric's transportation capacity. If Tampa Electric were to sell gas from Zone 1 to Zone 3, it would remain in a production area, but it could be moved on Tampa Electric's temporarily available gas transportation, if available, which would provide a larger benefit to the customer. Tampa Electric could also sell at a single receipt point, which would not use Tampa Electric's transportation.

10. How will a gain on a short-term wholesale purchase be calculated? Please provide a detailed example.

A. Tampa Electric will calculate the gain provided by a short-term wholesale purchase by comparing the cost to purchase the power to Tampa Electric's marginal cost to provide the power, through generation or an existing purchase.

An example of this calculation is the company forecasts a need for an additional 50 MW of power. The company calculates that it will cost $40/MWh to generate this additional energy. Upon seeking economic options, Tampa Electric is able to secure 50 MW from another power supplier at $30/MWh. The benefit from this transaction is $10/MWh (*i.e.*, 40-30) multiplied by 50 MW, or $500.

11. Regarding TECO's dispatch model/production cost model and short-term wholesale power sales, and short-term wholesale power purchases, how will TECO's model change or be affected if a base load unit has an unplanned outage?

A. Tampa Electric's production cost model already incorporates an unplanned outage methodology, and this will not change.

12. Assume TECO has an unplanned outage at a base load unit. Is this likely to increase TECO's short-term wholesale purchases as described in paragraph 8(a)(i) of the Petition? Please explain and, as part of the response, discuss how different durations of an outage would affect short-term wholesale purchases.

A. No, not necessarily. Tampa Electric continually optimizes its assets, based on changing conditions within the market and the company's operations. Tampa Electric would re-optimize its system in the event of an outage of any duration, planned or unplanned, and take the necessary actions to cover the native load at the least possible cost. These actions could include additional purchases or increased self-generation.

The forecasted system and market conditions influence the actions taken at the time of an unplanned outage. For instance, if an unplanned base load unit outage occurs during a time of high loads—and the projected outage duration is 30 days—the company would consider supplementing its resources by securing a short-term (*e.g.*, one month) purchase or generating the power from the next unit in the economic dispatch stack. Likewise, under the same outage scenario but milder loads or a shorter duration outage, Tampa Electric may elect to purchase economy energy on a day-to-day basis or to generate the power from the next unit in the economic dispatch stack.

REDACTED

TAMPA ELECTRIC COMPANY
DOCKET NO. 130024-EI
STAFF'S FIRST DATA REQUEST
REQUEST NO. 13
PAGE 1 OF 1
FILED: FEBRUARY 13, 2013

13. Describe the firm gas storage that TECO currently has including the capacity, facility and term of contract(s)?

A. Tampa Electric contracts with Bay Gas Storage near Mobile, Alabama for natural gas storage capacity. Currently the company has 1,250,000 MMBtu of storage capacity that will expire in [redacted].

REDACTED

14. How does TECO currently recover the cost of gas storage? As part of the answer to this question, please state the expense amount in 2010, 2011, and 2012.

A. Tampa Electric currently recovers the cost of natural gas storage through the fuel clause, as a component of the delivered cost of fuel.

Year	Cost of Gas Storage
2010	[redacted]
2011	
2012	

15. What are the benefits to retail customers of TECO having firm gas storage?

A. Natural gas storage benefits customers by providing additional operational flexibility and reliability of natural gas supply.

16. How would these benefits be affected if TECO releases firm storage or sells gas in storage?

A. Tampa Electric customers would receive an additional benefit of cost mitigation if Tampa Electric were to release firm storage capacity. When Tampa Electric has temporary underutilized storage capacity, it could be sold, offsetting fixed costs of the storage, and the revenues would reduce the overall cost of natural gas.

17. Currently, if TECO sells gas out of storage at a gain, is that gain credited to fuel costs? Please explain.

A. Yes, if Tampa Electric sells natural gas out of storage at a gain, the revenue generated is a credit to the fuel clause and offsets the total natural gas expenses paid by customers.

18. Currently, if TECO sells temporarily available gas transportation and/or electric transmission, how are those sales recognized and treated for regulatory purposes? Please explain.

A. Tampa Electric has engaged in sales of temporarily available gas transportation to a limited extent, but the company did not track them independently from the natural gas expense. These transactions offset overall natural gas expense, as the gains were passed through the fuel clause. Tampa Electric has not sold temporarily available electric transmission.

19. Currently, how are delivered city-gate gas sales using existing transport recognized and treated for regulatory purposes?

A. Tampa Electric has engaged in these transactions to a limited extent, but did not track them independently from the natural gas expense. These transactions offset natural gas expenses and are passed through the fuel clause.

20. Currently, how are production (upstream) area sales recognized and treated for regulatory purposes?

A. Tampa Electric has engaged in these transactions to a limited extent, but did not track them independently from the natural gas expense. These transactions offset natural gas expenses and are passed through the fuel clause.

21. Does TECO anticipate an increase in off system wholesale sales through the end of 2015? Please explain, indentify, and describe any anticipated increases in off-system sales.

A. No, Tampa Electric does not anticipate an increase in off-system wholesale sales through the end of 2015. However, the company is always engaged in the market and actively seeking power transactions that benefit the company and the customers.

22. Does TECO anticipate an increase in short-term wholesale purchases through the end of 2015? Please explain.

A. No, Tampa Electric does not anticipate an increase in off-system wholesale purchases through the end of 2015. However, the company is always engaged in the market and actively seeking power transactions that benefit the company and the customers.

23. Is TECO, or will TECO be, participating in the expansion of the Southeast Supply Header Pipeline and, if so, will this added pipeline capacity be part of the proposed incentive mechanism? Please explain.

A. Tampa Electric has pipeline capacity which will be included in the incentive mechanism, but is not currently participating in the Southeast Supply Header Pipeline expansion. In the future when Tampa Electric adds to its pipeline capacity for reliability, it expects that optimization of the additional capacity would be included in the incentive mechanism.

24. Does TECO anticipate new wholesale sales agreements, pipeline capacity, storage capacity, or gas sales opportunities that will contribute to reaching the thresholds in the petition? Please explain and identify these new activities.

A. Tampa Electric does not anticipate new wholesale sales agreements, pipeline capacity, storage capacity, or gas sales opportunities that will contribute to reaching the thresholds in the petition. As previously stated, the company is always engaged in the market and actively seeking power transactions that benefit the company and the customers. Tampa Electric also consistently evaluates its natural gas requirements and considers potential transactions that could increase the reliability or economic benefit of its natural gas portfolio. Since the company has not yet entered into the asset optimization activities described in the petition, it is unable to predict the opportunities that may exist once additional resources are dedicated to pursuing those transactions. Tampa Electric will only enter into new agreements or transactions that benefit reliability or help lower overall costs for customers, or both.

25. Regarding the O&M costs in paragraph 8(b) of the petition, how will these costs be reported in the fuel clause proceeding?

A. Tampa Electric will describe incremental O&M costs, as described in paragraph 8(b) of the petition, that were incurred during the prior year in its annual true-up filing. The Commission will have several months to review the costs prior to their inclusion in the company's projection filing, for recovery during the following year.

26. Please refer to paragraph 8 of the petition. In part, this paragraph describes a "total gains schedule" TECO will provide. Will this schedule be added to the current schedule a7, or will it be a stand-alone schedule? Please explain, and provide a sample of a "total gains schedule."

A. The total gains schedule will be a separate schedule. A sample is attached.

TAMPA ELECTRIC
TOTAL GAINS SCHEDULE
Actual for the Period:

TABLE 1

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Month	Wholesale Sales (MWh)	Wholesale Sales Total Gains ($)	Wholesale Purchases (MWh)	Wholesale Purchases Total Savings ($)	Asset Optimization Savings ($)	Monthly Gains ($)	Cumulative Gains ("CG") ($)	**Threshold 1** CG ≤ $6.5 M 100% Benefits to Customers ($)	**Threshold 2** $6.5M < CG ≤ $9.0M 100% Benefits to Customers ($)	**Threshold 1 and 2** Total Customer Benefit ($)
						(3) + (5) + (6)				(9) + (10)
January										
February										
March										
April										
May										
June										
July										
August										
September										
October										
November										
December										
Total										

TABLE 2

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Month	Cumulative Gains ("CG") ($)	Incremental Gains ("IG") $9.0M < IG ≤ $20M ($)	Incremental Gains ("IG") IG > $20M ($)	**Threshold 3** $9.0M < IG ≤ $20M 40% Benefits to Customers ($)	**Threshold 3** $9.0M < IG ≤ $20M 60% Benefits to TEC ($)	**Threshold 4** IG > $20M $0% Benefits to Customers ($)	**Threshold 4** IG > $20M 50% Benefits to TEC ($)
	Table 1, Col (8)						
January							
February							
March							
April							
May							
June							
July							
August							
September							
October							
November							
December							
Total							

TAMPA ELECTRIC COMPANY
DOCKET NO. 130024-EI
STAFF'S FIRST DATA REQUEST
FILED: FEBRUARY 13, 2013

TOTAL GAINS SCHEDULE
INCREMENTAL OPTIMIZATION COSTS
Actual for the Period:

TABLE 3

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Month	Personnel Expenses ($)	Other Incremental Expenses ($)	Wholesale Sales (MWh)	Cumulative Wholesale Sales (MWh)	Sales Generation Threshold* (MWh)	Sales Generation Above Threshold (MWh)	Variable O&M Expenses ($/MWh)	Incremental Sales Variable O&M Expenses ($)	Total Incremental O&M Expenses ($)
			Table 1, Col (2)			**		(7) * (8)	(2) + (3) + (9)
January									
February									
March									
April									
May									
June									
July									
August									
September									
October									
November									
December									
Total									

Footnotes:

1. Docket No. 130024, TEC Petition, paragraph 8(b)(ii)
2. Formula: If (5) - (6) > 0, then (7) = the lesser of [(5) - (6)] or (4). Otherwise, (7) = 0.

27. In part, paragraph 8 of the Petition states that revenues from the Incentive Mechanism will be accounted for in the same manner as the Generating Performance Incentive Factor. Please describe all changes to the Company's A Schedules that will be necessary to report revenues from the Incentive Mechanism. Include in your response a sample of an A Schedule with revenues from the Incentive Mechanism.

A. Tampa Electric intends to recover the portion of incremental gains shared by the company under the incentive mechanism through the fuel clause in the same manner that it currently recovers rewards under the Generation Performance Incentive Factor ("GPIF"). Consistent with the GPIF timetable and as described in paragraph 8 of the petition, Tampa Electric will file a "Total Gains Schedule" with its annual Final True-Up Filing along with all necessary supporting documentation. This will give the Commission several months to review the data prior to Tampa Electric including any gains for collection in the annual projection filing it makes for the subsequent year. An example of the "Total Gains Schedule" is shown in the company's response to Data Request No. 26. Additionally, a line will be added for Incentive Mechanism on each of the Schedules A1 and A2, below the lines where GPIF is currently reported.

28. Please refer to paragraph 8(a)(ii) of the Petition and the bullet on the Asset Management Agreement (AMA). Will the third party be independent of Tampa Electric Company and TECO Energy? Please explain and, as part of the response to this question, define "third party" as used in the Petition.

A. Tampa Electric defines third party as an entity unaffiliated with and independent of Tampa Electric or TECO Energy.

29. The AMA bullet point refers to "assignment of transportation and/or storage rights." Please clarify what functions from the bullet points in paragraph 8(a)(ii) of the Petition would be included in the AMA.

A. All the bullets listed under section 8 (a) (ii) could be AMA opportunities, but this bulleted list is not all-inclusive and other opportunities that have not been defined may be included as well. Please see the company's response to Data Request No. 47 for details regarding how a gas pipeline capacity release would work under an AMA.

30. Why hasn't TECO already sought to take advantage of these efficiencies stated in paragraph 8(a)(ii) of the Petition and passed the benefits on to its customers?

A. Tampa Electric views optimization of natural gas-related activities as having the greatest potential to take advantage of the efficiencies stated in paragraph 8(a)(ii) of the Petition. Tampa Electric's generating mix has changed tremendously over the last 10 years, from a predominantly coal-fired generator, to approximately 60-40 natural gas to coal on a capacity basis. The natural gas market in Florida has also grown during this time. Previously, there were limited opportunities for Tampa Electric to engage in these types of transactions; however, the company did engage in a small number of some of these transactions when they provided benefits to customers. In these instances, the activity was included in the overall cost of natural gas and all of the gains were passed back to customers through the fuel clause. As the company's natural gas usage and portfolio have grown and Florida's markets have become more robust, there are presently much greater potential opportunities to increase usage efficiency for gas items while maintaining reliability.

31. Considering only economy sales and economy purchases, does TECO anticipate savings on economy purchases (short-term wholesale purchases) that, along with gains on economy sales (short-term wholesale sales), will exceed $9 million for 2013 and 2014? Please explain.

A. No. Given current market conditions (*e.g.*, lower than projected loads and low-to-moderate natural gas prices), Tampa Electric does not anticipate that the gains from economy sales and purchases will exceed $9.0 million for 2013 or 2014. However, Tampa Electric will continue to participate in the economy purchase and sale market when it benefits customers.

32. Please refer to paragraph 8 (a)(i) of the Petition. Does TECO expect a decrease in economy purchases for 2013 and 2014 compared to 2009 to 2012?

A. The following table shows Tampa Electric's 2009-2012 economy purchase savings and economy sales gains.

Year	Total Fuel Savings Purchases (A9)	Gains on Economy Sales (A6)
2009	$5,395,755	$3,533,488
2010	$8,232,137	$2,948,964
2011	$2,715,815	$902,388
2012	$1,128,937	$246,932
Total	*$17,472,644*	*$7,631,772*
Avg	*$4,368,161*	*$1,907,943*

As shown in the table above, the company has experienced a decline in both purchase savings and sale gains over the past four years. At this time, Tampa Electric has no evidence that suggests a return back to 2009 and 2010 levels—or even to 2011 levels—in the near future; however, the company plans to continue pursuing future wholesale purchase and sale transactions that are beneficial for it and its customers.

33. Does TECO anticipate changes in generating capacity for 2013 and 2014 that would affect short-term power sales and short-term wholesale purchases for those years? Please explain.

A. No, Tampa Electric does not anticipate changes in generating capacity for 2013 or 2014 that would affect short-term power sales and short-term wholesale purchases for those years. The company's unit capacities are reported annually in its Ten Year Site Plan, and there are no significant changes reported in the filing that will be made on April 1, 2013, or otherwise expected.

34. Please complete the table below summarizing TECO's actual and projected gains from the functions in paragraph 8(a)(i) and (ii) of the Petition.

	Short-Term Wholesale sales	Short-Term Wholesale Purchases	Gas Storage Utilization	Delivered city-gate gas sales using existing transport	Production (upstream) area sales	Capacity Release of gas transport	Capacity Release of electric transmission	Asset Management Agreement	Solid Fuel Purchasing, transportation, and storage/Other
2007									
2008									
2009									
2010									
2011									
2012									
2013									
2014									
2015									
2016									

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

See Note 1 below	Short-Term Wholesale sales	Short-Term Wholesale Purchases	Gas Storage Utilization	Delivered city-gate gas sales using existing transport	Production (upstream) area sales	Capacity Release of gas transport	Capacity Release of electric transmission	Asset Management Agreement	Solid Fuel Purchasing, transportation, and storage/Other
2007	$799,040	$18,632,385	NA	NA	NA	NA	$0		$0
2008	$1,676,141	$23,993,447	NA	NA	NA	NA	$0		$0
2009	$3,533,488	$5,395,755	NA	NA	NA	NA	$0		$0
2010	$2,948,964	$8,232,137	NA	NA	NA	NA	$0		$0
2011	$902,388	$2,715,815	NA	NA	NA	NA	$0		$347,260
2012	$246,932	$1,128,937	NA	NA	NA	NA	$0		$206,161
2013	$485,483	NA	NA	NA	NA	NA	$0	NA	NA
2014	NA	NA	NA	NA	NA	NA	$0	NA	NA
2015	NA	NA	NA	NA	NA	NA	$0	NA	NA
2016	NA	NA	NA	NA	NA	NA	$0	NA	NA

Note 1: NA = Not Available. Tampa Electric has engaged in a very small number of transactions for gas storage utilization, delivered city-gate gas sales, production area sales, capacity release of gas transport. The company did not track or forecast these types of transactions by transaction or type. The revenues from those transactions were included in the overall cost of gas, and all benefits from these transactions were passed back to the customer through the fuel clause.

35. Please explain in detail how TECO would calculate and/or predict any sales related to "temporarily available gas transportation" for 2013 and 2014.

A. Projecting sales of temporarily available gas transportation capacity is a challenging task. First, determining the level of temporarily available transportation capacity yields extremely uncertain results, as real-time conditions will ultimately drive availability. Furthermore, predicting whether sales of temporarily available gas transportation capacity can be made requires an approximation of the future requirements of other entities. At this point, Tampa Electric has not engaged in the sale of temporarily available gas transportation capacity, and therefore, historical data cannot be used as a reference.

36. How would TECO calculate and/or predict any availability for sale of electric transmission capacity?

A. Projecting sales of temporarily available electric transmission capacity is a challenging task. First, determining the level of temporarily available transmission capacity yields extremely uncertain results, as real-time conditions will ultimately drive availability. Furthermore, predicting whether sales of transmission capacity can be made requires an approximation of the future requirements of other entities. To date, Tampa Electric has not engaged in the sale of temporarily available transmission capacity and therefore, historical data cannot be used as a reference.

37. Please provide and describe three plausible, likely scenarios of what has to occur for the incentive mechanism gains to exceed $9 million.

A. Tampa Electric identified $9.0 million as a stretch goal. Reaching and exceeding this level of benefit likely will depend on market opportunities that cannot be predicted. Three scenarios in which the company might exceed the $9.0 million threshold are described below.

1. Deliverability is interrupted due to transmission or weather events, and Tampa Electric is able to cost-effectively sell power to other generators, to replace the power they cannot have delivered.

2. Deliverability is interrupted due to transmission or weather events. Tampa Electric is able to purchase power from other generators, to replace the power that cannot be delivered, and the purchase is the most cost-effective option available to the company.

3. Another generator experiences a major unplanned outage or failure, and Tampa Electric is able to sell power to that company as a more cost-effective option than the other options available to it.

38. Provide and describe the best case for TECO's customers regarding the incentive mechanism?

A. The best case for Tampa Electric's customers regarding the incentive mechanism would be for the company to achieve—and share with customers—gains above the highest tier defined in the incentive mechanism.

39. Provide and describe the worst case for TECO's customers regarding the incentive mechanism?

A. The worst case for Tampa Electric's customers regarding the incentive mechanism would be for the company to achieve—and flow entirely back to customers—the same amount of short-term wholesale sales transaction gains that would have been achieved under the existing incentive, without exceeding the proposed incentive threshold.

40. Has TECO performed any sensitivity analysis and/or simulations regarding the incentive mechanism? If yes, please identify and describe the extreme examples of customer impact from this analysis.

A. No. Tampa Electric has not performed any sensitivity analysis or simulations regarding the incentive mechanism.

41. Please complete the table below summarizing TECO's projected Incremental Optimizations Costs.

	Incremental O&M
2013	
2014	
2015	

A. Tampa Electric has not calculated incremental optimization O&M costs. The company must evaluate its needs to engage in the optimization activities and survey the market for solutions that meet those needs before it will be able to estimate incremental optimization O&M costs.

42. Will Peoples Gas System (or affiliates) engage in (or be likely to engage in) transactions with TECO or a third party administrator involving the incentive mechanism? Please explain.

A. No, Tampa Electric will not include transactions between the company or a third party administrator and Peoples Gas System (or affiliates) in its incentive mechanism calculations.

43. Please refer to paragraph 8(a)(ii) of the Petition. For each year 2013 and 2014 please state and describe the amount of temporarily available electric transmission that TECO expects.

A. See the company's response to Data Request No. 36.

44. How much of this temporarily available transmission capacity will be a part of the incentive mechanism?

A. Tampa Electric expects that all temporarily available transmission capacity previously reserved by its Marketing function and temporarily available for sale will be a part of the incentive mechanism.

45. Please identify any electric transmission system upgrades for 2013 and 2014 that could affect providing electric transmission capacity sales.

A. Tampa Electric does not have any electric transmission system upgrades planned for 2013 or 2014 that would affect providing electric transmission capacity sales.

46. Currently, are personnel, software, and variable O&M costs associated with short-term wholesale power sales and purchases charged to base rates? Please explain.

A. Yes. Currently, the personnel, software and variable O&M costs to make short-term wholesale power sales and purchases are recovered through base rates. Such costs are not recovered from customers through a cost recovery clause or any other cost recovery mechanism.

47. Please provide a hypothetical Asset Management Agreement that TECO believes would be eligible for inclusion in the incentive mechanism.

A. Tampa Electric does not have a standardized form of Asset Management Agreement ("AMA") or any AMAs currently being negotiated. However, a description of a typical activity and terms contained in an AMA are described below.

AMAs are typically structured as follows: a Shipper (*e.g.* Tampa Electric) holding firm transportation and/or storage capacity, temporarily releases a portion of its capacity to an asset manager (*e.g.*, a third-party marketing company) which uses the released capacity to serve the gas supply requirements of the releasing Shipper. By permitting capacity holders to use third-party experts to manage their gas supply arrangements and their pipeline capacity, AMAs can lower gas supply costs for releasing Shippers. AMAs provide, in general, for lower gas supply costs, resulting in ultimate savings for end-use customers.

AMAs generally include provisions for the asset manager to share with the releasing shipper the value it is able to obtain from the releasing shipper's capacity and other assigned assets. The asset manager may share that value by: (1) paying a fixed "optimization" fee to the releasing shipper; (2) sharing with the releasing shipper the asset manager's profits from the use of the released capacity and other assigned assets pursuant to an agreed-upon formula; (3) making gas sales to the releasing shipper at a below-market commodity price; or (4) in some other way mutually agreed to by the contracting parties.

While AMAs for gas pipeline capacity and gas storage capacity are specifically addressed by the Federal Energy Regulatory Commission and used in the description above, AMAs can be applied to any sort of asset including, but not limited to power generation assets, bulk transportation assets, and oil storage facilities.

48. Please identify and describe companies TECO has considered or evaluated to be top candidates to provide the asset management services.

A. Tampa Electric has utilized an AMA structure briefly once before. The AMA was with a natural gas producer who optimized the receipt points of a pipeline capacity transportation agreement. Tampa Electric has not engaged the market for any new AMA providers. However, Tampa Electric can describe the types of companies it would look for to provide an AMA service. Tampa Electric would seek entities that have unique skills, extensive expertise, or complimentary assets in a particular segment of the industry (*e.g.*, producer for supply asset optimization) to provide an AMA service for that segment. These types of company would be able to apply these unique and special resources to the optimization of Tampa Electric's assets to provide the greatest value to Tampa Electric's customers.

49. Could the incentive mechanism create rates, credits, rebates, or incentives that will benefit specific customers and not the general body of ratepayers? If yes, please explain.

A. No.

50. In paragraph 8(b) of the Petition, TECO explains that the final true-up of incremental optimization costs would be provided for the prior year and subject to review and Commission approval. Is TECO requesting the Commission to approve annually the incremental optimization costs involving asset optimization to determine eligibility for inclusion (and recovery) in the incentive mechanism?

A. Yes.

51. Could the asset optimization measures described in paragraph 8(a)(ii) of the Petition result in negative gains (losses), and what could cause such a result?

A. No.

52. Would TECO engage in any asset optimization measures that could negatively impact system reliability, or otherwise force TECO into the open market to purchase short-term fuel, power, or transmission at potentially higher prices to maintain its system reliability?

A. No.

53. What are the risks to TECO and its customers associated with the incentive mechanism?

A. The risks to Tampa Electric and its customers associated with the incentive mechanism are the same risks that apply to the company's fuel and transportation transactions with counterparties today. There are market risks—price, time spread, liquidity, and basis—as well as volume, credit, and administrative risks associated with transacting with counterparties, and these risks would apply to the transactions associated with the incentive mechanism as well.

54. What safeguards are necessary to address these risks?

A. The safeguards necessary to address these risks are the same safeguards used to mitigate risk associated with fuel and transportation transactions with the company's counterparties today. Tampa Electric maintains controls that follow its risk management policies and procedures as well as managing its contractual rights, to safeguard against these risks. The company's Risk Management Plan is filed with and approved by the Commission annually in the fuel docket. The company will also establish guidelines associated with transactions that can qualify for incentive treatment to ensure proper procedures and controls are in place to protect customers and the company.

55. Does TECO intend to recover the incremental O&M costs described in paragraph 8(b) of the Petition even if no "total gains" are achieved?

A. No. Tampa Electric intends to recover the incremental O&M costs incurred for implementing its expanded optimization program, as described in paragraph 8(b) of the petition, only if there are sufficient total gains to equal the amount of O&M costs incurred.

BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for Expedited Approval of Asset Optimization Incentive Mechanism by Tampa Electric Company	))))	DOCKET NO. 130024-EI FILED: FEBRUARY 13, 2013

TAMPA ELECTRIC COMPANY'S

ANSWERS TO FIRST REQUEST FOR

PRODUCTION OF DOCUMENTS (NO. 1-2)

OF

FLORIDA PUBLIC SERVICE COMMISSION STAFF

Tampa Electric files this its Answers to Production of Documents (Nos. 1-2) propounded and served on February 6, 2013 by the Florida Public Service Commission Staff.

TAMPA ELECTRIC COMPANY
DOCKET NO. 130024-EI
INDEX TO STAFF'S FIRST REQUEST FOR
PRODUCTION OF DOCUMENTS (NOS. 1-2)

Number	Subject	Bates Stamped Pages
1	Please provide a complete copy of all workpapers, calculations, and source documents used or prepared in preparing the responses to the above interrogatories.	1 - 2
2	Please provide a hypothetical Asset Management Agreement that TECO believes would be eligible for inclusion in the incentive mechanism.	3

TAMPA ELECTRIC COMPANY
DOCKET NO. 130024-EI
STAFF'S FIRST REQUEST FOR
PRODUCTION OF DOCUMENTS
DOCUMENT NO. 1
BATES STAMPED PAGES: 1 - 2
FILED: FEBRUARY 13, 2012

1. Please provide a complete copy of all workpapers, calculations, and source documents used or prepared in preparing the responses to the above interrogatories.

A. The requested documents are attached.

TAMPA ELECTRIC

Year	Total Fuel Savings Purchases (A9)	Gains on Economy Sales (A6)	20% Retained by TEC	3 Yr Rolling Avg Threshold
2001	$0	$1,512,133	$0	$3,966,143
2002	$0	$838,302	$0	$1,842,169
2003	$0	$1,227,430	$0	$1,546,058
2004	$0	$1,049,937	$0	$1,192,622
2005	$25,939,873	$878,238	$0	$1,038,556
2006	$18,738,263	$757,156	$0	$1,051,868
2007	$18,632,385	$799,040	$0	$895,111
2008	$23,993,447	$1,676,141	$172,096	$811,478
2009	$5,395,755	$3,533,488	$491,208	$1,077,446
2010	$8,232,137	$2,948,964	$189,215	$2,002,890
2011	$2,715,815	$902,388	$0	$2,719,531
2012	$1,128,937	$246,932	$0	$2,461,614
Total	***$104,776,611***	***$16,370,149***	***$852,519***	
Avg	***$4,368,161***	***$1,907,943***	***$71,043***	

				Customer	Company
4-yr Avg.	$6,276,104	Tier 1	< 9,000,000	100%	0%
		Tier 2	9,000,001 - 20,000,000	40%	60%
		Tier 3	> 20,000,000	50%	50%

Extended outages due to Installation of SCR's on Big Bend Units.

FPL

Year	Total Fuel Savings	Gains on Economy Sales	20% Retained by FPL	3 Yr Rolling Avg Threshold
2001	$14,596,846	$17,846,598	$0	$52,953,147
2002	$20,999,255	$9,726,489	$0	$34,143,278
2003	$30,111,501	$17,827,648	$0	$21,657,720
2004	$17,572,194	$18,558,415	$684,968	$15,133,577
2005	$28,589,989	$21,022,022	$1,130,234	$15,370,850
2006	$17,026,130	$19,438,254	$60,445	$19,136,028
2007	$16,274,882	$18,545,406	$0	$19,672,897
2008	$14,887,825	$17,001,482	$0	$19,668,561
2009	$39,751,657	$10,700,431	$0	$18,328,381
2010	$78,316,363	$4,421,987	$0	$15,415,773
2011	$64,644,735	$4,918,688	$0	$10,707,967
2012*	$37,374,066	$3,671,460	$0	$6,680,369
Total	***$380,145,443***	***$163,678,880***	***$1,875,647***	
Avg	***$31,678,787***	***$13,639,907***	***$156,304***	

*2012 Totals include 10 months of actuals and November/December's projections

Oil generating units resulted in greater purchase savings, based on hearing testimony.

TAMPA ELECTRIC COMPANY
DOCKET NO. 130024-EI
STAFF'S FIRST REQUEST FOR
PRODUCTION OF DOCUMENTS
DOCUMENT NO. 2
BATES STAMPED PAGE: 3
FILED: FEBRUARY 13, 2012

2. Please provide a hypothetical Asset Management Agreement that TECO believes would be eligible for inclusion in the incentive mechanism.

A. Tampa Electric does not have any documents that are responsive to this request.