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December 5, 2016

VIA: ELECTRONIC FILING

Ms. Carlotta S. Stauffer
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Docket No. 160160-EI – Tampa Electric Company's Petition for Approval of Energy Transaction Optimization Mechanism

Dear Ms. Stauffer:

Attached for filing in the above docket is Tampa Electric Company's Responses to Staff's First Data Request (Nos. 1-46) dated November 15, 2016. The Excel portions of these answers are included on a CD which will be hand delivered to Staff under separate cover.

Thank you for your assistance in connection with this matter.

Sincerely,

James D. Beasley

JDB/pp
Attachment

cc: Suzanne S. Brownless (w/attachment)

Historic Data

1. Please provide, in an electronic (pdf or excel if available) format, TECO's final year-to-date Fuel Savings Schedules A6 and A9 for the years 2006 through 2016.

A. See the Excel file titled "(BS pg. 2) Data Req 1.xlsx" for Tampa Electric's year-to-date fuel Schedules A6 and A9 for the years 2006 through 2016.

2. Please provide the historic sharing thresholds & incentive payments received by the company for wholesale power sales for the years 2006 through 2016.

A. The requested information is provided in the following table. Customers received 100 percent of gains up to the threshold. Gains above the threshold were shared between customers and the company.

Year	Threshold ($)	Customer Portion of Gains ($)	Company Portion of Gains ($)	Total Gains ($)
2006	787,027	757,156	0	757,156
2007	895,111	799,040	0	799,040
2008	811,478	1,504,044	172,096	1,676,141
2009	1,077,446	3,042,280	491,208	3,533,488
2010	2,002,890	2,759,749	189,215	2,948,964
2011	2,719,531	902,388	0	902,388
2012	2,461,613	246,932	0	246,932
2013	1,366,094	894,045	0	894,045
2014	681,121	2,775,430	523,537	3,298,967
2015	1,479,981	496,810	0	496,850
2016 Act-Est	1,563,273	216,961	0	216,961

3. Please list those activities the company has engaged in that is now included in proposed incentive mechanism, including asset optimization. Please describe for each activity how gains were calculated and allocated between the ratepayers and shareholders.

A. Tampa Electric has not had the opportunity to engage in significant asset optimization. Net gains for those transactions were returned to customers through the fuel clause.

Tampa Electric currently engages in wholesale power sales. Any gains earned on these sales are returned to the customers through the fuel clause, until a three-year rolling average threshold is reached. For any gains earned above the threshold, the customers receive 80 percent and the company retains the other 20 percent. The wholesale power sales gains are calculated by subtracting the fuel cost, O&M expenses, transmission cost and SO_2 emission allowance costs that are associated with the sales from the total revenues received from the sale.

The company makes economic wholesale purchases when available. The gains are calculated as the difference between the avoided cost of generation and the purchase cost.

Tampa Electric's Wholesale Power Sales					
	2006	**2007**	**2008**	**2009**	**2010**
MWh	90,506	94,953	146,762	253,963	207,663
Total Revenues ($)	5,550,920	5,377,895	9,899,264	13,769,216	13,301,309
Fuel Cost ($)	4,214,050	4,124,905	7,528,898	8,845,769	9,217,438
O&M ($)	240,889	232,737	414,531	688,917	571,425
Transmission ($)	302,822	209,436	269,923	686,741	561,018
SO_2 ($)	36,002	11,778	9,772	14,301	2,464
Gains ($)	757,156	799,040	1,676,141	3,533,488	2,948,964
Threshold ($)	1,051,868	895,111	811,478	1,077,446	2,002,890
Customer Gains ($)	757,156	799,040	1,504,044	3,042,280	2,759,749
Company Portion of Gains ($)	0	0	172,096	491,208	189,215

Tampa Electric Wholesale Power Purchases					
	2006	**2007**	**2008**	**2009**	**2010**
MWh	1,271,295	1,501,624	971,887	478,338	554,000
Fuel Savings ($)	18,738,263	18,632,385	23,993,447	5,395,755	8,232,137

Tampa Electric's Wholesale Power Sales						
	2011	**2012**	**2013**	**2014**	**2015**	**2016**
MWh	254,902	193,886	222,264	259,173	115,286	81,696
Total Revenues ($)	11,352,007	6,242,873	8,509,377	13,584,759	4,077,504	2,320,212
Fuel Cost ($)	9,238,232	5,131,712	6,507,704	8,428,440	2,726,911	1,655,373
O&M ($)	411,789	333,172	364,694	618,535	284,114	148,934
Transmission ($)	799,394	530,967	741,553	1,237,708	569,523	303,877
SO_2 ($)	204	98	1,381	1,069	141	48
Gains ($)	902,388	246,932	894,045	3,298,967	496,810	216,961
Threshold ($)	2,719,531	2,461,613	1,366,094	681,121	1,479,981	1,563,273
Customer Gains ($)	902,388	246,932	894,045	2,775,430	496,810	216,961
Company Portion of Gains ($)	0	0	0	$523,537	0	0

Tampa Electric Wholesale Power Purchases						
	2011	**2012**	**2013**	**2014**	**2015**	**2016**
MWh	308,976	259,780	489,385	413,688	425,043	215,407
Fuel Savings ($)	2,715,815	1,128,937	2,065,823	3,870,139	1,656,918	460,667

4. Has TECO had an opportunity to engage in asset optimization activities but not engaged in them due to the lack of an incentive mechanism? Please detail and discuss the potential value lost for these transactions by year for the period 2006 through 2016.

A. No. Tampa Electric has engaged in asset optimization activities when they have been available; however, the company believes that more of these transactions could be made available to benefit customers if more resources could be devoted to them. The asset optimization mechanism that Tampa Electric is proposing provides Tampa Electric with an incentive to take on the expenses and additional risks, develop the skill sets and systems, balance market opportunities with operational impacts, and find and/or create opportunities that do not currently exist or are not currently available to Tampa Electric on a regular basis. The creation of these opportunities and the associated benefit will benefit customers and those benefits would be shared by the company in return for it taking on that expense, work and risk.

5. Please provide monthly data for the company's wholesale sales for the period 2006 through 2016. As part of this response, please provide sales, average fuel and total costs per unit of energy, total fuel and other costs, and the total net gains on these sales. As part of this response, please complete the table below for each year and provide a copy in electronic (excel) format.

Month	Wholesale Sales – Monthly (2006 – 2016)					
	Total MWh Sold	Fuel Cost	Total Cost	Total Fuel Cost	Total Cost	Gains on Market Based Sales
	(MWh)	(¢/kWh)	(¢/kWh)	($)	($)	($)
Jan						
Feb						
Mar						
Apr						
May						
Jun						
Jul						
Aug						
Sep						
Oct						
Nov						
Dec						
Total						

A. This request was modified to request annual data. The information is provided in Tampa Electric's response to Data Request No. 1.

6. Please provide monthly data for the company's wholesale purchases for the period 2006 through 2016. Please exclude data regarding purchases for interruptible customers. As part of this response, please provide total energy purchased, the purchase cost per unit of energy, the avoided generation cost per unit of energy, the total purchase cost, the total avoided cost, and the net gains on these purchases. As part of this response, please complete the table below for each year and provide a copy in electronic (excel) format.

Month	Wholesale Purchases – Monthly (2006 – 2016)					
	Total MWh Purchased	Purchase Cost	Generated Cost	Total Purchase Cost	Total Generated Cost	Gains on Purchases
	(MWh)	(¢/kWh)	(¢/kWh)	($)	($)	($)
Jan						
Feb						
Mar						
Apr						
May						
Jun						
Jul						
Aug						
Sep						
Oct						
Nov						
Dec						
Total						

A. This request was modified to request annual data. The information is provided in Tampa Electric's response to Data Request No. 1.

7. Please provide monthly data, if available for the company's activities that would be included in its proposed incentive mechanism under asset optimization for the period 2006 through 2016. As part of this response, please provide natural gas storage optimization, sales (both Delivered City-Gate and Production Area), natural gas capacity release, AMA, and other activities. Please also include electric transmission capacity release (if applicable) and total net gains from all activities. Please also provide monthly data for the period 2006 through 2016 for those activities listed above that the company has engaged in prior to its proposed incentive mechanism. As part of this response, please complete the table below for each year and provide a copy in electronic (excel) format.

Month	Asset Optimization – Monthly (2006 – 2016)							
	Natural Gas						Electric	Total
	Storage	Delivered Sales	Production Sales	Capacity Release	AMA	Other Activities	Capacity Release	
	($)	($)	($)	($)	($)	($)	($)	($)
Jan								
Feb								
Mar								
Apr								
May								
Jun								
Jul								
Aug								
Sep								
Oct								
Nov								
Dec								
Total								

A. This request was modified to request annual data. The requested data about natural gas transactions is 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, and capacity release of gas transport. The company did not track or forecast these types of transactions by 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.

Electric transmission capacity release has not generated gains during the period in question. (Also see the response to Data Request No. 18.)

Risks and Losses

8. Please identify any risks that ratepayers may be exposed to by the incentive mechanism that they are not currently subject to. Please also identify what safeguards are necessary to address each of these risks.

A. Of the transactions included in the optimization mechanism, Tampa Electric considers potential incremental risk to exist for wholesale power sales or sales of interstate pipeline capacity. Asset Optimization may increase customers' exposure to credit and operational risk associated with increased volumes of wholesale power sales or the sale of interstate pipeline capacity. Tampa Electric already has safeguards in place to mitigate these risks. These safeguards include rigorous credit evaluation and counterparty credit exposure monitoring. Similarly, safeguards for operational risk include maintaining sufficient operational reserves. Tampa Electric will maintain these safeguards and apply them to transactions under the optimization mechanism if it is approved.

Asset optimization may also lower customers' risks. A wholesale power purchase that displaces generation not only lowers costs for customers, but it also leaves that generation available should customers need it due to increased load or forced outage from a generation unit. Thus, the optimization mechanism may ultimately lower customers' exposure to unit operational risk.

9. Please identify any risks that shareholders may be exposed to by the incentive mechanism that they are not currently subject to. Please also identify what safeguards are necessary to address each of these risks.

A. In addition to the risks and safeguards described in the company's response to Data Request No. 8, shareholders would be exposed to incremental costs incurred to implement, execute and maintain the optimization mechanism. The safeguards necessary to address the incremental cost risk are to add incremental costs slowly as the optimization mechanism is implemented and shown to provide benefits.

10. For each of the activities engaged under the incentive mechanism, including wholesale sales, wholesale purchases, and each sub-activity under asset optimization, please discuss whether ratepayers and/or shareholders might be exposed to potential losses on any individual transaction or series of transactions a result of the company's activities.

A. Tampa Electric will execute transactions that have a projected positive benefit. This is applicable to all activities and sub-activities currently contemplated or that may arise in the future under the optimization mechanism. Also see the company's responses to Data Request No. 11 and 12.

11. For incentive mechanism activities such as asset optimization measures that may involve activities that must be reduced, curtailed, or eliminated due to a peak event or other retail customer needs, how does TECO intend to shield customers from losses on such transactions?

A. Tampa Electric will not make any asset optimization mechanism transactions until after the customers' needs have been satisfied. As is its current practice, Tampa Electric would perform sensitivity analyses before the transaction occurred to understand potential customer impacts that could occur in the event of supply disruption or greater than forecast peaks. In the rare event that circumstances change customers' needs to the point that the transaction needs to be cancelled, Tampa Electric will cancel the non-firm power sale or recall the interstate pipeline capacity. These types of transactions will be executed as either non-firm or recallable so that customers are protected.

12. In the event of a loss under the incentive mechanism proposed by the company, what is the company's proposed treatment of losses for each of the scenarios listed below? Please discuss whether ratepayers or shareholders would be responsible for recovery of losses.

a. Single transaction or series of linked transactions.
b. Monthly total in a single category.
c. Monthly total for all categories combined.
d. Annual total in a single category.
e. Annual total for all categories combined

A. The company does not expect to incur losses as a result of the optimization mechanism transactions. (See the response to Data Request No. 11.) Tampa Electric proposes that the results of each transaction included in the proposed optimization mechanism be accumulated for a total, net annual benefit. In the rare event of an unavoidable loss, it is expected that the loss would be outweighed by the cumulative benefits of other transactions. The net annual benefit inclusive of losses will be shared between customers and the company per the approved thresholds and sharing percentages.

Incentive Mechanism Activities

13. Regarding Wholesale Sales, what new activities would TECO engage in if the Incentive Mechanism is adopted that it does not currently engage in? Please explain the reason why for each and the potential increase in gains.

A. If the optimization mechanism is adopted, Tampa Electric will engage in the same types of wholesale sales as it does currently, but the company expects to make more wholesale sales with a higher margin. This will be accomplished because Tampa Electric will have increased resources to search and analyze the market and may be able to participate in longer term wholesale sales in markets that are farther away.

14. Regarding Wholesale Purchases, what new activities would TECO engage in if the Incentive Mechanism is adopted that it does not currently engage in? Please explain the reason why for each and the potential increase in gains.

A. If the optimization mechanism is approved, Tampa Electric will develop analytic tools, increase trading staff and align the company's operational planning such that purchases of longer duration and from a greater distance provide increased benefit to customers. These opportunities do not currently exist since Tampa Electric does not have the personnel, systems, or company alignment to create these opportunities.

15. Does TECO anticipate an increase in wholesale sales or purchases in 2017 through 2020 as compared to 2012 through 2016? Please explain any increase in sales or purchases.

A. Tampa Electric is not able to predict whether wholesale sales or wholesale purchases will increase in volume and/or in margin for 2017 through 2020, compared to 2012 through 2016. However, Tampa Electric expects the total benefit captured in 2017 through 2020 with the optimization mechanism will be greater than without due to the balance of economic risk with operational risk, system modifications, analyses and organization, and the alignment of company objectives to encourage greater participation in markets for wholesale sales and purchases.

16. Please describe each type of proposed activity in the asset optimization category of the company's proposed incentive mechanism, including gas storage optimization, delivered gas sales, production area sales, natural gas capacity release, asset management agreements, and any other category. Please provide an explanation as to how gains and losses are to be calculated for each type of activity.

A. For all asset optimization transactions proposed for the optimization mechanism, the benefit will be calculated as the incremental revenue minus the incremental cost.

Gas Storage Capacity Transaction

Description: Temporarily unused gas storage capacity is released to a counterparty for their use during a specified time period.

Example: TEC releases 10,000 mmBtu per day of storage capacity over the Thanskgiving long weekend.

Benefit			
Released Quantity		10,000	mmBtu per day
Rate	$	0.100	$/mmBtu per day
Number of Days		5	
Avoided Storage Reservation Cost	**$**	**5,000**	
Incremental Cost		**0**	
Gain	**$**	**5,000**	

City Gate Sale

Description: Sale of natural gas delivered to the customer's designated receipt point.

Example: Tampa Electric sells 10,000 MMBtu of gas to Lakeland Electric at its FGT Interconnect.

Sell to Lakeland on FGT		
Benefit		
Quantity		10,000
Posted City Gate Index Price	$	2.80
Incremental Revenue	**$**	**28,000**
Cost		
Quantity		10,000
Fuel		256
Total Quantity of Purchased Gas		10,256
FGT Zone 3 Index Price	$	2.45
FGT Usage Rate	$	0.04
Cost of Commodity	$	24,500
Cost of Fuel	$	628
Pipeline Usage	$	400
Incremental Cost	**$**	**25,528**
Gain	**$**	**2,472**

Production Area Gas Sales

Description: Buy natural gas commodity from one counterparty and re-sell it to another counterparty in the production area.

Example: Tampa Electric has FGT interstate pipeline capacity that is not needed to meet retail customer generation over a weekend. Tampa Electric buys commodity at one receipt point and re-sells that commodity at another receipt point.

Benefit			
Sell Gas in Zone 2		10,000	MMBtu
Sale Price	$	2.45	per MMBtu
Incremental Revenue	**$**	**24,500**	
Cost			
Buy Gas in Zone 1		10,000	MMBtu
Purchase Price	$	2.40	per MMBtu
Incremental Cost	**$**	**24,000**	
Gain	**$**	**500**	

Asset Management Agreement ("AMA") - Capacity Release

Description: Release interstate pipeline capacity to a third party under under an AMA arrangement in exchange for a fee.

Example: Tampa Electric releases 10,000 MMBtu of FGT interstate pipeline capacity to a third party under an Asset Management Agreement for a month in exchange for a Premium of $0.03 per MMBtu. Tampa Electric can recall the capacity when it is needed for retail load.

Benefit			
Quantity		10,000	MMBtu per Day
Rate	$	0.03	$/MMBtu per Day
Number of Days		31	
Incremental Revenue	**$**	**9,300**	
Incremental Cost	**$**	**-**	
Gain	**$**	**9,300**	

17. Please explain why TECO has not already sought to take advantage of the activities included in asset optimization as described in its Petition and passed the benefits on to its customers?

A. Tampa Electric strives to keep costs to customers as low as reasonably possible, including costs such as staffing, systems and plant operations. Increased participation in the activities envisioned in the asset optimization mechanism requires incremental staffing, system and operational costs. However, with increased resources, increased analytic skills, a balance between economic opportunity and operational risk, and alignment of organizational focus on the opportunities available through asset optimization, Tampa Electric is optimistic that it can capture even greater benefits for customers.

The company seeks the Commission's endorsement to incur these costs and manage these risks to the benefit of customers. The company also seeks the encouragement of the Commission in taking on the shareholder risks of greater scrutiny and prudence review as well as incurring incremental costs to implement the program, in the form of the requested sharing of the optimization mechanism benefits between customers and the company.

18. Please explain why capacity release of electric transmission and solid fuel purchasing, transportation, and storage optimization are not included in the current petition, but were included in the prior Petition in Docket 130024-EI.

A. Tampa Electric does not address electric transmission and solid fuel trading in the instant petition because the company believes the potential benefits are significantly less than the potential benefits from the activities listed. With respect to electric transmission, Tampa Electric does not have a significant amount of transmission capacity to market, and the opportunity in both volume and margin is very low. With respect to solid fuel, Tampa Electric is well positioned with assets due to its bi-modal transportation and access to numerous supply sources. However, the market is illiquid; there are very few solid fuel buyers and sellers. For these reasons, Tampa Electric plans to focus on wholesale power and natural gas commodity and transportation markets where the expected benefits are greater.

Waived Incremental Expenses

19. Please provide a breakdown of existing expenses for each category listed below, including personnel, software, and hardware for 2012 through 2016. As part of this response, please complete the table below for each year.

Total Expenses				
Activity	**Personnel**	**Software**	**Hardware**	**Total**
Wholesale Sales				
Wholesale Purchases				
Electric Transmission Capacity Release				
Natural Gas Storage Optimization				
Delivered Natural Gas Sales				
Production Area Gas Sales				
Natural Gas Capacity Release				
Other Activities				
Total				

A. Tampa Electric does not have historic costs segregated by activity for 2012 through 2016, nor does the company expect to track its expenses by the categories listed. Tampa Electric has implemented a new Energy Trading and Risk Management System (final "go-live in January, 2017) that will improve the company's ability to capture the benefit of the activities included in the optimization mechanism. Tampa Electric expects to incur additional expenses to implement more robust optimization activities if the proposed optimization mechanism is approved.

20. Please provide a breakdown of estimated expenses for each category listed below, including personnel, software, and hardware for 2017 through 2020. As part of this response, please complete the two tables below for each year.

Total Expenses				
Activity	**Personnel**	**Software**	**Hardware**	**Total**
Wholesale Sales				
Wholesale Purchases				
Electric Transmission Capacity Release				
Natural Gas Storage Optimization				
Delivered Natural Gas Sales				
Production Area Gas Sales				
Natural Gas Capacity Release				
Asset Management Agreement				
Other Activities				
Total				

Incremental Expenses				
Activity	**Personnel**	**Software**	**Hardware**	**Total**
Wholesale Sales				
Wholesale Purchases				
Electric Transmission Capacity Release				
Natural Gas Storage Optimization				
Delivered Natural Gas Sales				
Production Area Gas Sales				
Natural Gas Capacity Release				
Asset Management Agreement				
Other Activities				
Total				

A. Tampa Electric does not have a projection of expenses by year or by activity The company plans to hire additional personnel and incur incremental systems or other costs if the program is approved and as needed to implement it.

21. Please provide a breakdown of how many personnel (actual or projected) are included in the total and incremental costs respectively of the Incentive Mechanism for each year, 2012 through 2020

A. Tampa Electric does not have actual or projected costs associated with the optimization mechanism activities. If the optimization mechanism is approved, the company plans to hire additional personnel to conduct incremental analysis and trading and to incur other incremental costs for the optimization mechanism as needed.

Sharing Ratio

22. Please explain how the company determined the sharing ratios for each threshold. As part of this response, please provide any calculations used and alternatives considered.

A. Tampa Electric modeled its sharing ratios for each threshold after Florida Power & Light's incentive mechanism, and set Tampa Electric's thresholds to account for its size and generating and fuel portfolios. Tampa Electric's thresholds were set to be reasonable but very challenging, to require the company to create additional customer benefits before being compensated under the optimization mechanism.

23. Please explain how the proposed reduction in the ratepayer share of benefits above a savings threshold from 80 percent to either 40 or 50 percent increases benefits to ratepayers.

A. Customers benefit from the potentially increased quantity of transactions and increased gain on transactions, providing a greater total-dollar benefit that can be achieved. Customers benefit when the cumulative gain offsets the reduced share of the benefit. Customers still receive 100 percent of the gains up to the Customer Savings Threshold.

Sharing Thresholds

24. Paragraph 7 of TECO's petition states "… the rolling three-year moving average used to set thresholds results in a disincentive to pursue opportunities if the likelihood of achieving the threshold in a given year is remote." Would one method of reducing this alleged disincentive be to establish a threshold annually?

A. No. Eliminating the threshold would provide the best incentive structure. Absent that, a known and constant threshold that allows for clear and concise incentive goals and that can be easily communicated throughout the company, will allow for the best alignment and support of the optimization mechanism through all areas of the company.

With respect to setting a threshold annually, Tampa Electric has set the proposed threshold based on the past four years of historic data. If the same methodology were used and the threshold were set annually, the company would have a rolling four-year moving average threshold instead of the current three-year moving average threshold. This would not eliminate the disincentive.

The way to remove the disincentive is to set a static or baseline threshold against which the utility competes to generate benefits. The threshold must be reasonable to remain motivating, and it should be challenging so that the utility is rewarded for doing better, and not for the status quo.

Tampa Electric also notes that the thresholds used by FPL in its pilot and the newly approved incentive program are static for the duration of its program, so a baseline threshold seems appropriate for consistency.

25. Please explain why TECO's proposed initial threshold was $9 million in Docket 130024-EI versus $3.5 million in the current docket?

A. The threshold proposed in Docket No. 130024-EI consisted of two parts: (1) a $6.5 million amount calculated based on the most recent four years of actual wholesale sales and purchases transactions; and (2) a $2.5 million amount as a stretch goal before the company received a portion of the savings. Tampa Electric has proposed eliminating the "stretch" portion of the threshold in the current proposal as the company is not requesting recovery of incremental O&M expenditures to implement the optimization mechanism. The threshold was higher at $6.5 million when earlier years were included due to significant purchases being included in those early years. The purchases were to cover extended outages at Big Bend Station to install environmental controls, so those years are not appropriate to include in the average. The $3.5 million amount is an appropriate threshold because it reflects the company's recent experiences in the Florida wholesale market and is representative of typical and expected future baseline results for Tampa Electric.

26. Paragraph 10(a)(iii) of TECO's petition states that the $3.5 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…" Please explain why this methodology was selected versus a projected test year, which was the methodology utilized in the FPL settlement agreement?

A. Tampa Electric utilized the same method it proposed in its previous filing, which the staff supported at that time. The company believes that this is still the most appropriate methodology to set a competitive baseline, if a threshold other than $0 is applied. If Tampa Electric were to use a projected test year period, the threshold may be lower than the $3.5 million amount the company has proposed.

27. Please explain why TECO removed the $2.5 million Additional Customer Savings threshold in this proposal in comparison to the proposal in Docket 130024-EI.

A. Tampa Electric removed the $2.5 million Additional Customer Savings threshold in this proposal in comparison to the proposal in Docket 130024-EI for three reasons: (1) the $3.5 million Customer Savings Threshold is already rounded up to the nearest half million dollars; (2) the proposed threshold is a challenging goal to reach already since it includes unusually high gains from the January 2014 winter cold snap that raise the threshold; and (3) the company is not requesting recovery of incremental O&M costs to implement the optimization mechanism, which are substantial.

28. What mechanism does TECO propose for adjusting the incentive mechanism thresholds with the addition of new assets, such as firm natural gas storage or transportation capacity?

A. Tampa Electric proposes a constant threshold for the initial four-year period. The constant, known threshold provides the greatest opportunity to align the company with a unified effort to achieve benefits from optimization.

29. Please explain how the Customer Savings Threshold includes asset optimization activities. If not, why not?

A. The Customer Savings Threshold is based on wholesale power sales and power purchases. Potential benefits from fuel-related asset optimization activities are excluded because 1) the benefit from such transactions has not been captured, and 2) historically, there has been virtually no benefits generated because there have been few, if any, fuel-related asset optimization transactions. Tampa Electric does not have a projection of what level of benefit may be achieved from these types of transactions; the company will have to learn about and help develop the market for these transactions. When this is coupled with the fact that Tampa Electric is not seeking recovery through the fuel clause for the incremental costs associated with optimization mechanism and the proposed threshold is arguably high due to the anomalous gains from 2014, it is appropriate to exclude any value for asset optimization in the Customer Savings Threshold.

30. Please provide an updated Customer Savings Threshold utilizing 2016's actual and estimated wholesale sales and purchases.

A. The requested calculation of a threshold using 2016 actual-estimated wholesale sales and purchases is provided in the following table. The resulting Customer Savings Threshold, calculated in the same manner as presented for Tampa Electric's proposed threshold, is $3.5 million.

Customer Savings Threshold

	Fuel Savings Purchases (A9) (1)	Gains on Economy Sales (A6) (2)	Savings/Gains on Short-Term Sales and Purchases (3) = (1) + (2)
2013	2,065,823	894,045	2,959,868
2014	3,870,139	3,298,967	7,169,106
2015	1,656,918	496,810	2,153,728
2016 Act-Est[1]	460,667	216,961	677,628
Total			$ 12,960,330
Average Annual Savings/Gains			$ 3,240,083
Customer Savings Threshold			$ 3,500,000

1 Source: Tampa Electric's actual-estimated E schedules submitted August 4, 2016.

31. Please explain why four years were utilized in the development of the Customer Savings Threshold instead of the three used in the existing Incentive Mechanism. Please provide an estimate of the Customer Savings Threshold if based on a three year period. As part of this response provide the calculation.

A. Tampa Electric used four years of actual data in its development of the Customer Savings Threshold because the company viewed that amount of history as indicative of typical and future operations. The requested calculation of a threshold using three years of historical data is provided in the following table. The resulting Customer Savings Threshold, calculated in the same manner as presented for Tampa Electric's proposed threshold, is $3.5 million.

Customer Savings Threshold

	Fuel Savings Purchases (A9) (1)	Gains on Economy Sales (A6) (2)	Savings/Gains on Short-Term Sales and Purchases (3) = (1) + (2)
2014	3,870,139	3,298,967	7,169,106
2015	1,656,918	496,810	2,153,728
2016 Act-Est[1]	460,667	216,961	677,628
Total			$ 10,000,462
Average Annual Savings/Gains			$ 3,333,487
Customer Savings Threshold			$ 3,500,000

1 Source: Tampa Electric's actual-estimated E schedules submitted August 4, 2016.

32. TECO utilizes a four year average rounded up to the nearest half-million dollars to establish its sharing threshold. Please explain how the proposed fixed threshold is superior to using a rolling average methodology currently used to track changes in the utility market over time.

A. Tampa Electric believes that having a known, constant threshold facilitates clear, concise, and effective communication and implementation of the asset optimization goals throughout the company.

33. Please provide an estimate of the company's projected total net gains from wholesale sales, wholesale purchases, and asset optimization activities by category for each year of the period 2017 through 2020. Please also include the total gains and estimated sharing of these gains between shareholders and ratepayers. As part of this response please complete the table below.

Category	Wholesale Sales	Wholesale Purchases	Asset Optimization	Total	Shareholder Portion	Ratepayer Portion
2017						
2018						
2019						
2020						

A. Tampa Electric does not have a projection of the benefits from wholesale power sales, wholesale power purchases or asset optimization by year from 2017 through 2020. The projections available are gains of $550,060 and $47,795 in 2017 for wholesale power purchases and sales, respectively, as shown in the company's fuel clause projection E schedules submitted on September 1, 2016.

34. Please provide an estimate of the company's projected total net gains from asset optimization activities by category for each year of the period 2017 through 2020. Please also include the total gains. As part of this response please complete the table below.

Year	Natural Gas						Electric	Total
	Storage	Delivered Sales	Production Sales	Capacity Release	AMA	Other Activities	Capacity Release	
	($)	($)	($)	($)	($)	($)	($)	($)
2017								
2018								
2019								
2020								

A. Tampa Electric does not have a projection of asset optimization benefits by year for 2017 through 2020.

FPL Settlement Proposals

35. Paragraph 8 of TECO's petition states that "The Commission recognized the beneficial nature of incentives like the Optimization Mechanism proposed here in its December 13, 2012 decision in Docket No. 120015-EI." Please provide specification citations to the Order from that docket to substantiate this claim.

A. Order No. PSC-13-0023-S-EI, issued in Docket No. 120015-EI describes the incentive mechanism on pages 6 and 7 and the Order approves the revised stipulation and settlement agreement on page 7. There the Order states:

> Settlement agreements are approved if we determine that they are in the public interest. The public interest standard that we apply in approving the revised Stipulation and Settlement requires a fact-intensive, case-specific analysis. Having carefully reviewed the evidence in the record, and having discussed the benefits and detriments associated with the revised Stipulation and Settlement, we find that as a whole the settlement is in the public interest. (Citations omitted)

Indeed, during the December 13, 2012 special agenda in which the Commission considered the Stipulation and Settlement, the comments regarding the optimization mechanism were by and large favorable. Commissioner Balbis stated that he was intrigued by the asset optimization program, and shared the belief expressed by other Commissioners that it might place FPL at an advantage over other utilities. (Tr. 53, lines 16-21). Commission Edgar expressed similar intrigue regarding the asset optimization proposal, as well as some concern that it would put FPL, perhaps, at an advantage that would be good for ratepayers. Her only concern was whether it should be considered statewide as opposed to just for FPL. (Tr. 14, lines 3-14). Commissioner Brown's only concern was whether the incentive mechanism ought to be considered on a statewide basis because other IOUs might benefit from it. (Tr. 11, lines 14-25). Commissioner Graham stated that he favored the incentive mechanism program and that he encouraged that kind of "out of the box" thinking. He further observed that there is only an upside for ratepayers from this type of

program, and the ratepayers would not be harmed by any means by the implementation of this program. (Tr. 54, line 13 – Tr. 55, line 3).

These observations demonstrate the Commission's careful consideration of the optimization mechanism and the basis for their approval of it.

36. Paragraph 14 of TECO's petition states that "The benefits of the Optimization Mechanism the company is proposing and the regulatory policy considerations supporting it were fully examined and recognized in the Commission's recent consideration of the similar incentive mechanism approved in Docket No. 120015-EI." Please provide specific citations from Commission Orders to support this statement.

A. See the company's response to Data Request No. 35.

37. Paragraph 11 of the Petition states that "The Commission has already approved essentially an identical mechanism for FPL…" Please describe what portions, if any, of the settlement agreements proposed by FPL were modified, added, or removed in exchange for the inclusion of the incentive mechanism.

A. Tampa Electric's knowledge and understanding of the negotiations underlying FPL's settlement proposal are based on what was publicly stated about the initial or revised incentive proposals and the settlement agreements. For example, Tampa Electric knows that FPL's four-year pilot incentive was approved in 2012, and the renewal of FPL's incentive for another four years was approved as part of the 2016 settlement agreement.

Tampa Electric recognizes that FPL submitted actual data demonstrating that customers received greater gains under their pilot incentive.

The renewal of FPL's incentive was supported not only by the signatories to the 2016 settlement agreement, but ultimately recommended for approval by the Commission's Staff and approved by Commission vote on November 29, 2016.

The company understands this history to reflect an overall recognition of the customer benefits achieved under FPL's incentive mechanism.

38. Does TECO have any knowledge or understanding of the negotiations underlying FPL's 2012 settlement proposal that included an incentive mechanism? Please explain.

A. See the company's response to Data Request No. 37.

39. Does TECO have any knowledge or understanding of the negotiations underlying FPL's 2016 settlement proposal that included a modified incentive mechanism? Please explain.

A. See the company's response to Data Request No. 37.

40. In developing its incentive mechanism, TECO has adopted several components of the incentive mechanism approved for FPL in Docket 120015-EI. Has TECO done an analysis of the appropriate pilot term, thresholds, sharing percentages, and activities to be considered independent of FPL's incentive mechanism? Please explain and provide any such analysis.

A. Tampa Electric has not done an analysis of the appropriate pilot term, thresholds, sharing percentages, and activities to be considered independent of FPL's incentive mechanism. In many ways, Tampa Electric believes its proposed threshold is too high relative to the threshold of FPL due to the significant market advantages held by FPL. Tampa Electric also believes its Optimization Mechanism is simpler, and for customers maybe even better, than FPL's incentive mechanism since Tampa Electric is not seeking recovery of incremental costs through the mechanism.

Tampa Electric has modeled its optimization mechanism after FPL's incentive mechanism with respect to the pilot term, the basis of the threshold, the sharing percentages and the activities to be included. Considering the benefit generated for FP&L's customers during the initial four-year pilot period, Tampa Electric is eager to have the opportunity to capture benefits for its customers.

Review Period

41. Paragraph 14 of TECO's petition states that "The benefits of the Optimization Mechanism the company is proposing and the regulatory policy considerations supporting it were fully examined and recognized in the Commission's recent consideration of the similar incentive mechanism approved in Docket No. 120015-EI." Please provide specific citations from Commission Orders to support this statement.

A. See the company's response to Data Request No. 35.

42. Please explain why the incentive mechanism, presented as Pilot should not automatically end at the expiration of its four year period, versus be allowed for review.

A. In the event the incentive is not deemed to be beneficial, it can be canceled or terminated, at the time of the four-year review.

GPIF

43. Please provide, in a digital format, TECO's final year-to-date GPIF Actual Unit Performance Data Schedules for the years 2006 through 2016.

A. Please see the Excel files listed below for Tampa Electric's actual GPIF schedules for 2006 through 2015. Files labeled as Document No. 2 contain Actual Unit Performance Data Schedules for each year, and a year-to-date file is included for 2016.

- (BS pg. 52) 2006 GPIF True-up Exhibit DRK Doc 1.xls
- (BS pg. 53) 2006 GPIF True-up Exhibit DRK Doc 2.xls
- (BS pg. 54) 2007 GPIF True-up Exhibit DRK Doc 1.xls
- (BS pg. 55) 2007 GPIF True-up Exhibit DRK Doc 2.xls
- (BS pg. 56) 2008 GPIF True-Up Exhibit BSB Doc 1.xls
- (BS pg. 57) 2008 GPIF True-Up Exhibit BSB Doc 2.xls
- (BS pg. 58) 2009 GPIF True-Up Exhibit BSB Doc 1.xls
- (BS pg. 59) 2009 GPIF True-Up Exhibit BSB Doc 2.xls
- (BS pg. 60) 2010 GPIF True-Up Exhibit BSB Doc 1.xlsx
- (BS pg. 61) 2010 GPIF True-Up Exhibit BSB Doc 2.xlsx
- (BS pg. 62) 2011 GPIF True-up Exhibit BSB Doc 1.xlsx
- (BS pg. 63) 2011 GPIF True-Up Exhibit BSB Doc 2.xlsx
- (BS pg. 64) 2012 GPIF True-up Exhibit BSB Doc 1.xlsx
- (BS pg. 65) 2012 GPIF True-Up Exhibit BSB Doc 2.xlsx
- (BS pg. 66) 2013 GPIF True-up Exhibit BSB Doc 1.xlsx
- (BS pg. 67) 2013 GPIF True-Up Exhibit BSB Doc 2.xlsx
- (BS pg. 68) 2014 GPIF True-up Exhibit BSB Doc 1.xlsx
- (BS pg. 69) 2014 GPIF True-Up Exhibit BSB Doc 2.xlsx
- (BS pg. 70) 2015 GPIF True-up Exhibit BSB Doc 1.xlsx
- (BS pg. 71) 2015 GPIF True-Up Exhibit BSB Doc 2.xlsx
- (BS pg. 72) 2016 GPIF DRAFT OCT True-Up Exhibit BSB Doc 2.xlsx

44. Please provide a comparison between Generation Performance Incentive Factor annual performance targets and ranges established by the Commission and the company's actual performance by unit for the period 2006 through 2016.

A. Please see the company's response to Data Request No. 43. The requested comparisons can be found in the files labeled Document No. 1. A comparison of actual performance to targets cannot be provided for 2016 since the results for 2016 are not available. The 2016 targets were submitted in Docket No. 150001-EI, on September 1, 2015.

45. Please provide annual amount of awards and penalties the company has received through the Generation Performance Incentive Factor for the period 2006 through 2016. Please also include the maximum award possible for each year.

A. The requested information is provided in the table below. The results for 2016 are not yet available.

Year	GPIF Reward or (Penalty) ($)	Max Reward ($)
2006	1,439,819	5,501,411
2007	(849,634)	5,731,699
2008	1,239,009	6,561,022
2009	1,830,855	7,365,753
2010	2,054,696	7,547,230
2011	(538,019)	7,670,649
2012	(1,177,059)	7,780,732
2013	1,689,728	8,157,103
2014	1,258,600	7,480,950
2015	969,593	7,702,537
2016	NA	9,386,068

46. If a TECO unit experiences an unplanned outage, this event could contribute to TECO receiving a GPIF penalty (or a reduction in an award) while also increasing power purchases during the outage. Should the power purchased during an unplanned outage be eligible for inclusion in the calculation of an incentive mechanism? Please explain.

A. Yes, power purchased during an unplanned outage should be eligible for inclusion in the calculation of an optimization mechanism. Should Tampa Electric experience an unplanned outage, the company can turn on an available generator that is part of the operational reserves of the system. A more complex and time-consuming, but potentially better, solution is to find wholesale power at a lower cost and arrange electric transmission to deliver it. This option reduces costs for customers while enhancing reliability by leaving the spare generation available in operating reserves. This is exactly the type of activity that the Commission should encourage through an optimization mechanism.