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May 3, 2019

**VIA: ELECTRONIC FILING**

Mr. Adam J. Teitzman  
Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

Re: Petition for recovery of costs associated with named tropical systems during the 2015, 2016 and 2017 hurricane seasons and replenishment of storm reserve subject to final true-up, by Tampa Electric Company  
FPSC Docket No. 20170271-EI

Dear Mr. Teitzman:

Attached for filing in the above docket are Tampa Electric Company's Answers to Staff's Second Data Request (Nos. 1-37) dated April 26, 2019.

Thank you for your assistance in connection with this matter.

Sincerely,



Malcolm N. Means

MNM/ne  
Attachment

cc: All parties of record (w/attachment)  
Kurt Schrader, FPSC Office of General Counsel (w/attachment)

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1. Please refer to page 5, of the Settlement Agreement. The Parties state the amended original proposed Recoverable Storm cost was \$102,476,127 and was reduced by the total reduction of \$10,025,098. This deduction totals to \$92,451,029. The total requested amount of storm costs to be recovered from customers is \$91,257,886. Please explain the difference.
- A.** Tampa Electric (“Tampa Electric” or “the company”) requested recovery of its estimated storm cost in the amount of \$102,476,127, as filed in its Amended Petition, as filed on January 30, 2018. That estimated storm cost amount was subsequently reduced as final invoices were received and as costs were adjusted. Additionally, as described on page 4 of the Storm Cost Settlement Agreement, as filed on April 9, 2019, the company also performed a supplemental review, which further reduced the amount requested for cost recovery by \$2.3 million. Therefore, the \$3,493,143 difference between the \$102,476,127 in the Amended Petition and the \$98,982,984 Second Amended Petition is made up of differences between estimated and final invoices, the \$2.3 million supplemental review adjustment, and interest. The \$10,025,098 consists of the \$7,725,098 “Additional Reduction” amount described in the Storm Cost Settlement plus the \$2.3 million supplemental review adjustment but does not include the differences between estimated and final invoices reflected in the Second Amended Petition filing of \$98,982,984.

**Total Recoverable Storm Cost**

<b>Amended Petition; Filed January 30, 2018</b>	<b>\$102,476,127</b>
Estimated Storm Cost vs. Final Invoice Reduction <sup>1</sup>	(\$1,193,143)
Voluntary Supplemental Review Reduction	(\$2,300,000)
Subtotal:	\$98,982,984
 <b>Second Amended Petition; Filed February 8, 2019</b>	 <b>\$98,982,984</b>
Additional Reduction per Storm Cost Settlement	(\$7,725,098)
<b>Storm Cost Settlement; Filed April 9, 2019</b>	<b>\$91,257,886</b>

<sup>1</sup> **Storm Cost Settlement Agreement** page 3: “During discovery, the Office of Public Counsel identified and shared with the company items and categories of items that should not have been included in the company's request for cost recovery and/or for which prudence and recoverability were questionable. Examples include: (a) costs for which the underlying documentation was inadequate; (b) costs billed to the company that should have been billed to another utility; (c) meals incurred during times or at places when it appeared crews should have been working to restore service instead of dining; (d) costs associated with vendors that incurred apparently excessive mobilization and travel time and costs; and (e) items that were purchased by vendors and billed to the company that did not provide bona fide value to the company's customers and the storm restoration process.”

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2. Please explain the process for the one-time bill credit to be reflected on customers' bills in January 2020, including the estimated bill credit for a residential customer using a 1,000 kWh per month and treatment for any over and under recovery.
  - A. Tampa Electric will submit for Commission approval the one-time bill credit factors when the company files its 2019-2020 Energy Conservation Cost Recovery ("ECCR") clause Actual Estimated True-Up and Projection on August 9, 2019. As a separate component of this filing, the company will include a section providing the details (credit factors/rates) for the January 2020 refund. Tampa Electric will use the company's 2020 energy/load forecast and the ECCR determinants that will be used for the 2020 ECCR clause factors to determine the refund credit/factors. This ensures that the most recent load forecast and ECCR factors will be used for the refund. Since this will be coupled with the ECCR clause projection approval process, the refund process/rates will be approved at the November 5th hearing with the Commission for the January 2020 refund.

The estimated bill credit for a residential customer using 1,000 kWh in the month of January 2020 is approximately eight dollars.

Because the credit factors will be calculated using projected January 2020 billing determinants, there is a reasonable chance that differences between projected and actual customer energy and demand in January 2020 will result in the company either crediting more or less than \$11.5 million. Any true-up needed for an over or under amount will be handled by making an adjustment to the ECCR clause in 2020 to account for the difference from the agreed upon refund of \$11.5 million. This over or under amount will be filed for Commission approval in the company's 2020-2021 ECCR clause Actual Estimated True-Up and Projection in 2020, which will affect Tampa Electric's 2021 ECCR clause factors.

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- 3.** If the Settlement Agreement is approved, is expedient restoration time the top priority for Tampa Electric for storm response?
  - A.** Yes. The company and Consumer Parties understand that safe and timely restoration of service will remain the top priority if the Storm Cost Settlement Agreement is approved.

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4. Please explain in detail how this Settlement Agreement is intended to balance and prioritize restoration time against cost control and vendor oversight. Also, if the answer to Question 3 above is “yes,” please explain how the top priority of restoration time would integrate with such balancing.
- A. The company conducted a “lessons-learned” exercise after Hurricane Irma and commenced discussions or implementation of some of the policies and procedures described in Exhibit One to the Storm Cost Settlement Agreement. Through discussions with the Consumer Parties, additional policy and process changes were identified that the company and Consumer Parties believe will further improve efficiencies and cost controls without jeopardizing restoration efforts. However, as noted in the Storm Cost Settlement Agreement, if any of the policies or procedures would potentially hinder restoration efforts, the company will document the situation and prioritize safe and timely restoration of service.

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5. If, after a future storm event, the Process Improvements outlined in the Settlement Agreement are found to hinder the overall storm restoration process, please explain the process the parties would undertake to rectify those issues and potentially revise those processes found to be a hindrance. Please refer to page 7, paragraph 8 of the Settlement Agreement.
  - A. Tampa Electric spent a significant amount of time with the company's operating area representatives discussing these policies and procedures to ensure they would not hinder the overall storm restoration process. However, if during an actual storm any of the process improvements would even manifest a potential to adversely impact restoration time, the company will make safe and timely restoration its top priority and will document why not following the policies and procedures was necessary for the prompt restoration of service. Then, after storm restoration activities are complete, the company will – as it does after every storm – review its policies and procedures and identify the ones that should be modified and will discuss the need for a modification with the Consumer Parties. When the parties agree to a modification, the company would submit the modification to the Commission for approval.

It is also worth noting that section 8 of the Agreement contemplates that the company and the Consumer Parties will meet periodically to review the policies and procedures in Exhibit One of the Storm Cost Settlement Agreement.

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- 6.** If changes to the policies and procedures are agreed upon, will the Parties seek Commission approval for those changes? If so, how will the Parties inform the Commission?
  
- A.** If changes to the policies and procedures are agreed upon by the company and Consumer Parties, the company would anticipate filing a joint filing to revise and amend Exhibit One of the Settlement Agreement.

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**The following series of questions relate to Exhibit 1 attached to the Settlement Agreement. Exhibit 1 is described as a set of future policies and procedures for use by Tampa Electric Company (Tampa Electric) during future named storm events.**

- 7.** Please identify which provision(s) of Rule 25-6.0143 would allow the Cost Recovery for Initial Process Implementation, including the Initial Audit, to be charged to Account 228.1.
  - A.** The provisions of Rule 25-6.0143 generally allow the company to charge incremental storm costs to Account 228.1. The Initial Audit will have a one-time incremental cost and is an activity the company and Consumer Parties agree is reasonable and will be a cost-effective way to provide a measure of assurance about the prudence of costs being charged to the reserve. The company believes the costs associated with the new process implementation as well as the initial audit are appropriate costs of restoring power to customers and are recoverable under the rule as an incremental restoration cost.



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- 8.** What is the Tampa Electric's estimate of additional time, if any, the application of this set of policies and procedures will add to restoration times following a storm event?
- A.** Safe and timely service restoration will continue to be the company's top priority in future storms. The majority of the policies and procedures involve better documentation, more and better communications with vendors before a storm hits and setting expectations about invoicing and work management. The company intends to commit the necessary resources to follow the policies and procedures in a way that will not increase restoration time; however, as noted in previous answers, if any of the policies and procedures would even manifest the potential to adversely impact restoration time during an actual storm, the company will make safe and timely restoration its top priority and will document why not following the policies and procedures was necessary for the prompt restoration of service.

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- 9.** What is the Tampa Electric's estimate of how much it will cost to implement this set of policies and procedures?
- A.** The costs to implement this set of policies and procedures will be dependent on the magnitude of the storm and the associated time it takes to restore service. The company believes the costs to implement the policies and procedures will be minimal as compared to overall storm costs and will likely result in overall benefits to customers as a result of controls and costs oversight. Tampa Electric is looking at options for tracking foreign crews through global positioning system ("GPS") tools and is reviewing the market for products and costs.

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- 10.** When and specifically how will the costs incurred to implement this set of policies and procedures be recovered by Tampa Electric?
  - A.** The company will separately track the costs to implement this set of policies and procedures and identify those costs at the time of the next named storm that impacts the company's service area. The costs will then be included as part of the overall storm costs included in the company's storm reserve.

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- 11.** Even though the parties have agreed to this set of policies and procedures, is it understood by Tampa Electric—and has Tampa Electric verified with the parties that they have a similar understanding—that the Commission will make future decisions on allowable storm recovery costs on a case-by-case basis based on the evidence in the record?
  - A.** Tampa Electric understands and has verified with the Consumer Parties that the Commission will make future decisions on allowable storm recovery costs on a case-by-case basis based on evidence in the record.

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- 12.** What is Tampa Electric's expectation on how the compliance or lack of compliance with this set of policies and procedures would reflect upon the Commission's decision on a reasonable and prudent determination of storm costs?
- A.** Tampa Electric expects and believes that compliance with this set of policies and procedures will result in more efficient processes and will benefit consumers through lower storm related costs without adversely impacting restoration efforts. As such, the company believes that adhering to these policies and procedures for storm restoration activities should be reflected in the Commission's determination of reasonable and prudent storm costs.

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- 13.** If there is a dispute about the sufficiency of the documentation, what is the process for resolving such a dispute?
- A.** The company will attempt to resolve any such disputes with Consumer Parties through the discovery process. In the event the dispute cannot be resolved during the discovery process, the Commission will make the final determination.

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- 14.** Could any of these process changes be detrimental to obtaining contractors to help with storm restoration efforts? Please explain your response.
- A.** The company does not expect these processes to be detrimental to obtaining contractors. The company believes that the policies and procedures in Exhibit One of the Storm Cost Settlement Agreement are reasonable and that the kinds of vendors Tampa Electric wants to work with will not object to following them. The company plans to reach out to non-Southeast Electric Exchange contractors in advance of the storm season to communicate these expectations and again prior to securing their services to ensure their willingness to assist the company and comply with these process improvements.

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- 15.** Is Tampa Electric permitted, under the terms of the Settlement Agreement, to contract with vendors who, because of union or other regulations, are unable to abide by the proposed process improvements?
- A.** Yes. The company would document those situations.



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- 16.** Is Tampa Electric permitted, under the terms of the Settlement Agreement, to contract with vendors who refuse on their own accord to abide by the proposed process improvements?
- A.** Yes, however, the company will seek to first enter into contracts with vendors who willingly abide by the proposed process improvements. Additionally, the company has identified the top performing contractors during the last storm and is working to establish service agreements with those contractors. Tampa Electric will seek to enter into contracts with as many vendors that might be needed and will prioritize which ones to call upon first based on cost and past performance. However, in the final analysis, if the company has already secured all of the vendors who have agreed to follow the policies and procedures and still needs more, the company will secure the necessary resources for safe and timely service restoration and will document its efforts and results as contemplated in Exhibit One of the Storm Cost Settlement Agreement.

**Section E of the “Process Improvements” outlined on Page 11 of the Settlement Agreement states that Tampa Electric will require GPS tracking of vendors “where reasonably practicable”.**

- 17.** Please explain the benefits of the GPS tracking of vendor crews with regard to restoration efforts and cost control.
  - A.** There are several benefits of GPS tracking of vendor crews. One is Tampa Electric will be able to monitor vendors’ travel prior to the storm and confirm they are traveling at an acceptable pace. Once vendor crews are on-site their travel in the area will be documented by leaving a “bread crumb” trail so that the company can see where the vendor crews have been working and for how long. This feature can also be used if there is a dispute regarding whether a crew was working in Tampa Electric’s service territory at a particular time.

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- 18.** Please give an example of where GPS tracking of a given vendor may NOT be “reasonably practicable”.
- A.** The company does not reasonably foresee situations in which use of GPS would not be “reasonably practicable,” but it is possible that a vendor might have a work rule or labor agreement that prohibits use of GPS technology.

**Section H of the “Process Improvements” outlined on Page 11 of the Settlement Agreement limits vendor work time to 16 hours on, 8 hours rest.**

- 19.** Does this policy include crews working on restoration of critical infrastructure or emergency services (e.g. Hospitals)? Please explain.
- A.** No. If restoration crews are working on critical infrastructure or emergency services, limits on work time will not apply. In general, the necessary restoration work will continue until service is restored and as long as it is safe to work, and the exception will be documented.

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- 20.** Is TECO permitted to contract with vendors who refuse to abide by the 16 on, 8 off policy laid out in Section H? Please explain.
- A.** Yes, provided the company documents its reasonable efforts to secure vendors who will comply. In this regard, the company will first seek to enter into contracts with vendors who willingly abide by the proposed process improvements. Additionally, the company has identified the top performing contractors during the last storm and is working toward establishing service agreements with those contractors. Tampa Electric will seek to enter into contracts with as many vendors that might be needed and will prioritize which ones to call upon first based on their cost, performance and other factors.

**On page 13, paragraph II. B. Initial Audit Required.**

- 21.** Will the independent outside audit be performed each time named storm damages exceed 50 percent of the full authorized storm reserve or \$40 million?
- A.** No. The audit will only be applicable to the first named storm meeting that threshold.

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- 22.** Will an independent outside audit be performed when the storm reserve is depleted?
- A.** Not necessarily. The independent outside audit will be performed if the company incurs storm damages in excess of \$28 million, which is approximately 50 percent of the company's storm reserve.

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- 23.** Will said audit examine 100 percent or nearly 100 percent of all storm restoration invoices as recommended by OPC witness Schultz's testimony filed in Docket No. 20180049-EI? If not, please explain.
- A.** No. It is unlikely that the independent outside audit will examine 100 percent or nearly 100 percent of all storm restoration invoices, based on the independent, professional judgment of the auditor. The independent auditor will not be standing in the shoes of witness for an advocate but will instead be performing the audit based on both the purpose and scope set out in Exhibit One of the Storm Cost Settlement Agreement. The independent outside auditors will examine a sampling of invoices.



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- 24.** In lieu of auditing 100 percent or nearly 100 percent of all storm restoration invoices, can the independent outside audit firm use professional judgement in utilizing statistical or random sampling to conduct their audit?
- A.** Yes. The independent outside audit firm will use professional judgment to conduct their audit. This includes the use of common audit techniques such as sampling.

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- 25.** What does Tampa Electric believe to be a reasonable time for said audit to be completed?
- A.** The timing will depend on a variety of factors including the size, path and damage caused by the storm. The timing of the audit will also depend on the timing of billing, as the company will wait until it determines a majority of actual costs and until it receives all of the required documentation.

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- 26.** On page 14, paragraph II.D. Cost Recovery for Initial Process Implementation. Will the Audit from paragraph II.B. be part of the supporting documentation referenced under II.A?
- A.** Yes. The company will provide a summary of the independent outside audit.

**Please refer to the Incremental Cost Methodology Addendum.**

- 27.** Please explain in detail how the 3-year historical averages used to determine incremental expenses will be determined. Specifically, whether or not historical years which had storm-related activity during the pertinent month(s) would be supplanted in the 3-year average.
- A.** The three-year historical average calculation is performed in accordance with PSC Order No. PSC-07-0307-NOR-EI dated April 12, 2017. Storm related charges allowed to be charged to the reserve under Incremental Cost and Capitalization Approach ("ICCA") methodology include tree trimming expenses incurred in any month in which storm damage restoration activities are conducted that exceed the actual monthly average of tree trimming costs charged to O&M for the same month in the three previous calendar years.

Historical spending is charged to O&M Expense which does not include prior year named storm activity. Named storm activity is charged to job orders and therefore is not included in the three-year average.

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**28.** Please specify how the amount to be capitalized would be calculated, and provide an example of a distribution pole replacement for illustrative purposes which includes: 1) A reasonable estimated average cost to replace the pole in the absence of a storm (assuming company personnel or embedded vendors during normal hours and/or both); 2) a reasonable estimated average cost to replace the pole during a storm restoration event (assuming the use of 3rd Party contractors using rented equipment outside of normal hours); 3) an explanation of how the Capitalized Costs provision in the proposed settlement agreement would be applied; 4) a description of how the Company would reflect this pole replacement on its books (including all entries pertaining to the establishment of a regulatory asset).

**A.** Tampa Electric provides this response subject to the clarification included in its response to Staff's Second Data Request No. 30.

1. The company generally uses a combination of internal and native crew labor to replace poles in the absence of a storm. Based on the company's historical accounting records for non-storm periods, the company estimates that the average cost to replace a basic tangent pole in the absence of a storm is about \$2,500 per pole. This estimate assumes the use of internal and native crew labor and 24 work hours per pole.
2. The company estimates that the average cost to replace a pole during a storm event using native and foreign crew labor at storm rates would be approximately \$5,000 per pole. This estimate assumes native and foreign crew storm labor rates and 32 work hours per pole, because replacing poles during a storm event usually takes more time.

That being said, the company does not believe that the rule or the capitalization provisions in Exhibit One of the Storm Cost Settlement Agreement generally contemplate allowing the company to capitalize poles replaced during a storm using foreign crew storm labor rates, because that would not reflect "normal" costs under most situations.

For completeness, the company typically does not use foreign crews to replace poles outside of a named-storm event, but if it does, it will include those costs in the calculation of the simple average as specified in Exhibit One of the Storm Cost Settlement Agreement as clarified by the company's response to Staff's Second Data Request No. 30. The company estimates that the hourly rates for foreign crews

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will be slightly higher than native crews during non-storm periods, but not as high as the costs it incurs to retain the assistance of foreign crews during named-storm events.

3. Please see the clarification in the company's response to Staff's Second Data Request No. 30.
4. The company would calculate the amount to be capitalized using the method in Exhibit One of the Storm Cost Settlement Agreement and as clarified in its response to Staff's Second Data Request No. 30.

The amount to be capitalized would be depreciated at the Company's approved depreciation rates by debiting depreciation expense and crediting accumulated depreciation.

Each month, the company will make a journal entry to debit a regulatory asset and credit depreciation expense for 40 percent of the total depreciation expense associated with that pole. The resulting regulatory asset would be amortized over four years beginning with the next rate case or settlement.

Tampa Electric accounts for distribution poles on a mass property basis. Each month, the company charges the materials, labor and overheads associated with new poles into a job work order and then closes that amount to electric plant in service at the end of the month. The company does not track poles by location in its accounting records, but rather, designates all distribution poles installed in a year with an asset identification number that allows the company to maintain its poles by vintage year. The company follows a similar process for retirement of poles and retires them on a First In-First Out basis using the oldest vintage and the average cost of the poles in that vintage.

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- 29.** How is the methodology used to determine the incremental payroll, under the Incremental Cost Methodology Addendum, consistent with Rule 25-6.0143, F.A.C.?
- A.** The methodology is consistent with the ICCA methodology in Rule 25-6.0143 (1)(d), F.A.C., and provides additional clarification on calculating the amount that is “incremental to costs normally charged to non-cost recovery clause operating expenses in the absence of a storm.”

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**30.** How is the methodology used to determine the Capitalized Costs, under the Incremental Cost Methodology Addendum, consistent with Rule 25-6.0143, F.A.C.?

**A.** After considering the dialogue at the meeting with Staff on April 23, 2019 and after further consultation with the Consumer Parties, Tampa Electric provides this clarification of Exhibit One of the Storm Cost Settlement Agreement, Incremental Cost Methodology Addendum, Capitalized Costs procedure used in the proposed settlement.

The company assumed and believes that considering internal labor was always contemplated and that the language in the settlement was intended to arrive at the normal cost for the removal, retirement and replacement of facilities, to ensure that native and foreign crew rates would be included in the calculation of "normal" cost as applicable and that the company will use a combined simple average of hourly internal, native and foreign contractor costs that are the kind typically incurred in the absence of a storm to determine the amounts to capitalize under the rule.



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**31.** On page 16 of the Settlement Agreement under the heading Capitalized Costs, please identify the amount of capitalized costs agreed to in the instant docket and what the amount of capitalized costs would be if this provision were currently in effect.

**A.** The amount capitalized in this docket is \$15.1 million (\$9.1 million per Revised Exhibit JSC-1 plus \$6 million in the Settlement Agreement).

The provision in Exhibit One of the Storm Cost Settlement Agreement regarding capitalized costs is a prospective implementation of the capitalization methodology and has no direct correlation to the amount agreed to on page 7 of the Storm Cost Settlement Agreement. It would be very time consuming and expensive to recalculate with precision the amount to be capitalized for the 2015-2017 storms addressed in this docket using the prospective methodology in Exhibit One of the Storm Cost Settlement Agreement. However, as noted in response to OPC's Seventh Set of Interrogatories No. 90, the company did not consider any foreign crew labor (hours or dollars) when it capitalized the \$9.1 million reflected in Revised Exhibit No. JSC-1.

During discovery, and as part of a dispute with OPC over the amount of storm costs to be capitalized, the company identified an additional estimated amount of \$3.8 million as a rough estimate that could be capitalized, but that amount was not computed using the method in Exhibit One of the Storm Cost Settlement Agreement or agreed to by OPC and the other Consumer Parties. It does, however, serve the purpose of recognizing for capitalization the hours worked by foreign crews, which had not been accounted for using any valuation methodology when the company capitalized the \$9.1 million. Using the \$3.8 million amount as a rough proxy for reflecting foreign and native crew costs into the valuation of "normal" costs, the company estimates that the amount of capital costs that would have been capitalized if the provisions in Exhibit One of the Storm Cost Settlement Agreement had been followed for the 2015-2017 storms would have been approximately \$13 million.

In the interest of completeness, the company notes that the \$6 million additional capital amount in the Storm Cost Settlement Agreement is a negotiated amount based on a dispute among the parties over the amount to be capitalized under various scenarios and approaches that would generate different amounts, but would be consistent with normal costs

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associated with capitalized labor as contemplated in the rule and Exhibit One of the Storm Cost Settlement Agreement.

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- 32.** Please describe the current policy Tampa Electric follows for tracking the costs of poles replaced following storm damage. For purposes of this response, also please explain what impact, if any, this new capitalization provision for capitalization will have on this tracking process.
- A.** During a storm restoration, the company uses its job work order system to collect the direct labor (internal and native), materials and overhead costs associated with storm restoration activities. The company uses foreign crew invoices and work records to calculate the amount of capital work done by foreign crews. Using this information, the information in the job work order system and in accordance with the rule, the company calculates the normal cost for the removal, retirement and replacement of those facilities in the absence of a storm, which costs are capitalized,<sup>1</sup> and the remainder of the costs are charged to the reserve.

The capitalization process in Exhibit One of the Storm Cost Agreement does not change this basic process. Rather, as noted in the company's response to Staff's Second Data Request No. 30, it clarifies that the company will use a combined simple average of hourly internal, native and foreign contractor costs that are the kind typically incurred in the absence of a storm to determine the amounts to capitalize under the rule.

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<sup>1</sup> However, as noted in the answer to OPC's Seventh Set of Interrogatories No. 90, the company did not consider any foreign crew labor (hours or dollars) when it capitalized the \$9.1 million reflected in Revised Exhibit No. JSC-1.

**Please refer to the provision regarding deferral of certain costs to a regulatory asset.**

- 33.** Please identify the amount of the regulatory asset that Tampa Electric could create if this provision were currently in effect.
- A.** For illustrative purposes, assuming the capitalized cost is \$15.1 million (\$9.1 million per Revised Exhibit JSC-1 plus \$6 million in the Storm Cost Settlement Agreement), Tampa Electric would defer the depreciation impact on 40 percent of the capitalized amount. Assuming the \$15.1 million represents only poles, the applicable annual depreciation deferral amount would be \$6 million (40 percent of the \$15.1 million.) Tampa Electric's approved depreciation rate on distribution poles is 4.4 percent which would make the annual foregone depreciation expense approximately \$264,000 per year until the next rate case. Using these assumptions, the regulatory asset would grow by approximately \$264,000 each year until the next rate case or settlement, at which time it would be amortized over four years.

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- 34.** Will the regulatory asset accrue a carrying cost until the next rate case? If not, please explain. If yes, please identify and explain the rate of return.
- A.** Yes. The company would accrue carrying costs at the Allowance for Funds Used During Construction rate in effect at the time the storm costs were incurred.

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- 35.** For earnings surveillance purposes, will the 60 percent of the total capitalized storm restoration related amounts of plant, accumulated depreciation, and depreciation expense be reflected in the Company's ESRs?
- A.** Yes.

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- 36.** Will the associated tangible property taxes for the 40 percent of the total capitalized storm restoration related plant be included in the regulatory asset? If not, please explain.
- A.** No. Property taxes are not a component of the regulatory asset. It would not be possible to know with certainty which specific assets were representative of the 40 percent capitalized amount included as the regulatory asset.

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- 37.** For earnings surveillance purposes, will the accumulated deferred income taxes associated with the 40 percent of the total capitalized storm restoration related plant amount be excluded from the overall cost of capital in the Company's ESRs?
- A.** No. If the company elects to defer depreciation expense in accordance with this agreement, the company would include the Accumulated Deferred Income Taxes associated with the deferral of depreciation expense in the company's Earnings Surveillance Report capital structure.