



**Quadrennial Energy Review 1.2
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**Prepared Remarks of Gordon L. Gillette
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Electricity Distribution and End Use: How Do We Manage Challenges and Opportunities?

Good afternoon. I would like to thank Secretary Moniz and the Office of Energy Policy and Systems Analysis for inviting me to speak on this panel today. My name is Gordon L. Gillette and I am the President of Tampa Electric and Peoples Gas Systems. I am responsible for the operations of both utilities, including electric generation, electric and natural gas delivery, customer care, fuels management, and regulatory affairs.

Tampa Electric Company is an investor-owned, vertically integrated utility and TECO Energy's largest subsidiary. Our Tampa Electric division provides retail electric service to over 700,000 customers in West Central Florida with a net winter system generating capacity of nearly 5,000 MW. Peoples Gas System is the gas division of TECO Energy, engaged in the purchase, distribution and sale of natural gas for residential, commercial, industrial and electric power generation customers in Florida. With over 350,000 customers, Peoples Gas System has operations in Florida's major metropolitan areas. In 2015, Peoples Gas System's annual natural gas throughput (the amount of gas delivered to customers, including transportation-only service) was approximately 1.8 billion therms.

We have been in business since 1899 and are very proud of our long history and commitment to the communities we serve – specifically of our focus on understanding the needs of our customers. You may know that our parent company, TECO Energy, is undergoing a merger with a Canadian company – Emera, Inc. Together we will be one of the Top 20 utility companies in North America. We are excited about our future together and think this will create more opportunity for us to address some of the challenges we are going to speak about on today's panel.

Florida: By The Numbers

There are 57 electric and 27 gas utilities in Florida. This includes four large investor-owned utilities, including Tampa Electric, which serve 85% of the load and customers in the state. Florida's mode of regulation for the investor-owned utilities is vertical integration with rate of return, like most of the southeast. Since the 1980's, Florida has had active demand side management, cogeneration and independent power producer rules and programs, and open access transmission. The investor-owned utilities have had aggressive distribution storm hardening programs and investments ongoing since 2004.

Florida's peak is about 55,000 MW, and there is only about 3,600 MW of tie capacity into peninsular Florida, meaning that Florida's grid is essentially an island. Hence the need for a separate regional entity within NERC called the Florida Reliability Coordinating Council. Although Florida has no indigenous fuel resources, utility rates in Florida are well below the national average. This is important because almost 20% of Florida's population is over 65 years old and on a fixed income. These historical low costs are made possible through careful work by state regulators and the utilities on the planning and policy front, and by sticking to some fundamental principles:

- **Cost Effectiveness:** Constructing the system and implementing programs, like demand side management, in ways that do not negatively impact customer rates.
- **Cost Allocation:** Making sure costs are allocated correctly to the various customer groups.
- **Subsidies:** Only using subsidies judiciously to kick start new technologies, keeping them in place for as long as truly needed, and then eliminating them.
- **Customer Experience:** Making sure that everything we do maintains or enhances the customer experience, reliability, and trust.
- **Local Business:** Keeping in mind that the utility business is a fundamentally local business and that every utility has its own local economic circumstances, customer types, demographics, weather (lightning and the potential for hurricanes are a big factors in our case), and customer tastes and needs.
- **Basic Need:** That customers view electricity as a basic need, one that they don't want to spend much time thinking about but something that they feel just needs to be there.

I believe that we have been successful in Florida by applying these principles in all our decision making from planning generation and transmission, to distribution and demand side programs.

Industry: Prepared for Transition

We are at an extremely exciting time in our industry, especially on the distribution and demand sides of the business. Solar generation - both universal and rooftop - is taking hold, numerous new smart distribution and metering technologies are becoming available, LED area lighting is gaining traction, there are new ways of working with our customers in billing and customer relations, and we see new services offerings and behind the meter technologies emerging. It is my belief that if we keep the tried and true basic principles that I previously articulated in mind as we plan and implement these technologies, our customers will get the best end results.

Let me end my opening remarks with an example that is close to home. In Florida, solar power is still an emerging technology. Even though we are known as the Sunshine State, it has taken us longer to integrate this technology than perhaps other states, largely due to our lower rates. But solar is becoming more cost effective.

The focus on maintaining affordability and reliability in Florida has produced a debate around the most cost-effective method for increasing solar energy in the state. At Tampa

Electric, we are aggressively pursuing the development of solar power. We brought a 2-megawatt (MW) project at Tampa International Airport online at the end of 2015. And we're building the largest solar project in the Tampa Bay area, a 23 MW array on 125 acres of company-owned land at the Big Bend Power Station in Apollo Beach.

We believe that universal solar, sometimes called large-scale or utility-scale solar, is the most cost effective and reliable way to deliver solar energy to every consumer in Florida, increase renewables and decrease state-wide carbon emissions. More specifically, universal solar is more cost effective than rooftop solar because it takes advantage of economies of scale. It can also be designed to more efficiently use the sun's energy by optimizing the position of the panels in relation to the sun and building single-axis-tracking instead of fixed-tilt arrays. However, the principal advantage of universal solar is the fact that every single customer contributes equitably to the costs and every customer benefits from the array.

We are working to ensure that all of our customers are treated fairly and receive the consumer protections they are due. That is why we are supportive of a solar amendment that will be on the ballot in Florida this year, filed by a group called Consumers for Smart Solar (CSS). This amendment, unlike others of its nature, would guarantee that state and local governments can continue to protect consumers from predatory sales practices and unreliable service. The CSS amendment also would make sure that electric customers who have their own solar power systems are not subsidized by those who cannot or do not have solar. The CSS Constitutional Amendment speaks to most of the principles that I articulated – including cost effectiveness, fair cost allocation and elimination of subsidies.

In closing, we think it is very important that policy-makers, utilities, regulators and other market participants adhere to these basic principles as we pursue current and new distribution and demand side management programs. Again, thank you for the opportunity to share our insights and I look forward to continued discussion with the other panelists.