1265

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 20230001-EI

In re: Fuel and purchased power cost recovery clause with generating performance incentive factor.
_____/

VOLUME ~~1~~ 2
PAGES ~~1~~ - ~~264~~
265 - 319 AT 11/20/23

PROCEEDINGS:	HEARING
COMMISSIONERS PARTICIPATING:	CHAIRMAN ANDREW GILES FAY COMMISSIONER GARY F. CLARK COMMISSIONER MIKE LA ROSA COMMISSIONER GABRIELLA PASSIDOMO
DATE:	Wednesday, November 1, 2023
TIME:	Commenced: 9:30 a.m. Concluded: 9:56 a.m.
PLACE:	Betty Easley Conference Center Room 148 4075 Esplanade Way Tallahassee, Florida
REPORTED BY:	DEBRA R. KRICK Court Reporter

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I N D E X

EXHIBITS

NUMBER:		ID	ADMITTED
1	Comprehensive Exhibit List	314	314
2-23	As identified on the CEL	314	
54-58	As identified on the CEL		315
60-71	As identified on the CEL		315
2-53	As identified on the CEL		315

P R O C E E D I N G S

(Transcript follows in sequence from Volume 1.)

(Whereupon, prefiled direct testimony of Benjamin F. Smith was inserted.)

TECO
TAMPA ELECTRIC
AN EMERA COMPANY

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 20230001-EI
FUEL & PURCHASED POWER COST RECOVERY
AND
CAPACITY COST RECOVERY

PROJECTIONS
JANUARY 2024 THROUGH DECEMBER 2024

TESTIMONY
OF
BENJAMIN F. SMITH II

FILED: SEPTEMBER 5, 2023

C16-1324

TAMPA ELECTRIC COMPANY
DOCKET NO. 20230001-EI
FILED: 09/05/2023

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

BENJAMIN F. SMITH II

Q. Please state your name, address, occupation, and employer.

A. My name is Benjamin F. Smith II. My business address is 702 North Franklin Street, Tampa, Florida 33602. I am employed by Tampa Electric Company ("Tampa Electric" or "company") as Manager, Gas and Power Origination within the Origination and Trading Department.

Q. Please provide a brief outline of your educational background and business experience.

A. I received a Bachelor of Science degree in Electric Engineering in 1991 from the University of South Florida in Tampa, Florida, and a Master of Business Administration degree in 2015 from Saint Leo University in Saint Leo, Florida. I am also a registered Professional Engineer within the State of Florida and a Certified Energy Manager through the Association of Energy Engineers. I joined Tampa Electric in 1990 as a cooperative education student.

During my years with the company, I have worked in the areas of transmission engineering, distribution engineering, resource planning, retail marketing, and wholesale power marketing. I am currently the Manager, Gas and Power Origination within the Origination and Trading Department. My responsibilities are to evaluate short and long-term power purchase and sale opportunities within the wholesale power market, assist in wholesale power and gas transportation origination and contract structures, and assist in combustion byproduct contract administration and market opportunities. In this capacity, I interact with wholesale power market participants such as utilities, municipalities, electric cooperatives, power marketers, other wholesale developers and independent power producers, as well as with natural gas pipeline owners and transporters.

Q. Have you previously testified before the Florida Public Service Commission ("Commission")?

A. Yes. I have submitted written testimony in the annual fuel docket since 2003, and I have testified before this Commission in Docket Nos. 20030001-EI, 20040001-EI, and 20080001-EI regarding the appropriateness and prudence of Tampa Electric's wholesale purchases and sales.

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to provide a description of Tampa Electric's purchased power agreements that the company has entered and for which it is seeking cost recovery through the Fuel and Purchased Power Cost Recovery Clause ("fuel clause") and the Capacity Cost Recovery Clause. I also describe Tampa Electric's purchased power strategy for mitigating price and supply-side risk, while providing customers with a reliable supply of economically priced purchased power.

Q. Please describe the efforts Tampa Electric makes to ensure that its wholesale purchases and sales activities are conducted in a reasonable and prudent manner.

A. Tampa Electric evaluates potential purchase and sale opportunities by analyzing the expected available amounts of generation and power required to meet the projected demand and energy of its customers. Purchases are made to achieve reserve margin requirements, meet customers' demand and energy needs, meet operating reserve requirements, supplement generation during unit outages, and for economical purposes. When Tampa Electric considers making a power purchase, the company diligently

searches for available supplies of wholesale capacity or energy from creditworthy counterparties. The objective is to secure reliable quantities of purchased power for customers at the best possible price.

Conversely, when there is a sales opportunity, the company offers profitable wholesale capacity or energy products to creditworthy counterparties. The company has wholesale power purchase and sale transaction enabling agreements with numerous counterparties. This process helps to ensure that the company's wholesale purchase and sale activities are conducted in a reasonable and prudent manner.

Q. Has Tampa Electric reasonably managed its wholesale power purchases and sales for the benefit of its retail customers?

A. Yes, it has. Tampa Electric has fully complied with, and continues to fully comply with, the Commission's Order No. PSC-1997-0262-FOF-EI, approved on March 11, 1997 and issued in Docket No. 19970001-EI, which governs the treatment of separated and non-separated wholesale sales. The company's wholesale purchase and sale activities and transactions are also reviewed and audited on a recurring

basis by the Commission.

In addition, Tampa Electric actively manages its wholesale purchases and sales with the goal of capitalizing on opportunities to reduce customer costs and improve reliability. The company monitors its contractual rights with purchased power suppliers, as well as with entities to which wholesale power is sold, to detect and prevent any breach of the company's contractual rights. Tampa Electric continually strives to improve its knowledge of wholesale power markets and available opportunities within the marketplace. The company uses this knowledge to minimize the costs of purchased power and to maximize the savings the company provides retail customers by making wholesale sales when excess power is available on Tampa Electric's system and market conditions allow.

Q. Please describe Tampa Electric's 2023 wholesale power purchases.

A. Tampa Electric assessed the wholesale power market and entered into short- and long-term purchases based on price and availability of supply. Approximately 7 percent of the company's expected needs for 2023 will be met using

purchased power. This includes economy energy purchases, reliability purchases, as-available purchases from qualifying facilities, and forward purchases from Duke Energy Florida ("DEF"), the Florida Municipal Power Agency ("FMPA"), Florida Power & Light ("FPL"), and the Orlando Utilities Commission ("OUC").

Presently, Tampa Electric has six forward purchases applicable to the year 2023, and those purchases are summarized below.

- A purchase from DEF, which was an extension of Tampa Electric's previous contract to purchase non-firm energy from DEF, was set to conclude at the end of October 2022. The parties have extended the contract twice, and neither the first nor second extension have must-take obligations, providing Tampa Electric the flexibility to schedule the energy when beneficial to customers. In October 2022, Tampa Electric and DEF extended this contract to cover the period November 2022 through February 2023. This first extension made available to Tampa Electric a maximum of 250 MW. The 250 MW was non-firm for November and December 2022; however, during the months of January through February 2023, 250 MW were converted to a firm call option. The firm portion of the purchase was for reliability to

ensure energy service to customers in the event Tampa Electric experienced cold weather. The purchase supported the company's plan to lower exposure to natural gas risk during its winter peak. The company's plan to minimize its natural gas risk is addressed in the testimony of witness John Heisey.

The second extension occurred February 2023 when Tampa Electric and DEF extended the agreement to purchase 250 MW, non-firm, for the term March through December 2023. In addition, the parties further amended the second extension in May 2023 to provide an incremental 265 MW, non-firm, during the months of June through August 2023, making the following amounts available to Tampa Electric: (i) 250 MW March through May and Sept through December 2023 and (ii) 515 June through August 2023.

For 2023, the purchases associated with this agreement have provided about $1.8 million in savings to customers. These savings to customers include only the utilization of the purchase as non-firm, economy (i.e., excludes any firm call option portion). These savings flow through the company's optimization mechanism and benefit customers in accordance with the methodology approved by the Commission in Order No. 2017-0456-S-

EI, issued on November 27, 2017 and extended through December 31, 2024 as approved by the Commission in Order No. PSC-2021-0423-S-EI issued on November 10, 2021, in Docket No. 20210034-EI.

- A 50 MW firm peaking call option from FMPA executed November 2022 for the period January through February 2023. The firm purchase from FMPA was for reliability to ensure energy service to customers in the event Tampa Electric experienced unusually cold weather.
- A 100 MW firm peaking call option from OUC, executed in November 2022 for the period January through February 2023. The firm purchase from OUC was for reliability to ensure energy service to customers in the event Tampa Electric experienced unusually cold weather.

The company's remaining forward purchases are from FPL. All were executed in 2023 and are non-firm, economy, must-take energy purchases. The agreements with FPL are for the purchase of:

- Up to 200 MW for May 2023
- 150 MW for September 2023
- Up to 200 MW for October 2023

The FPL purchases provide a projected $640

thousand in savings to customers, which flow through the optimization mechanism.

Tampa Electric has not secured other forward purchases for 2023 at this time. However, the company constantly searches for purchase opportunities that benefit customers. As other purchase opportunities materialize, the company evaluates each product to determine the viability of making it part of the supply portfolio Tampa Electric uses to serve customers.

At the time of the 2023 Projection filing, Tampa Electric projected capacity costs for power purchase activities, to be recovered through the 2023 Capacity Cost Recovery Clause, to be about $1.7 million. On an actual basis through June 2023, the capacity costs are $6 million, which includes the cost of the three previously described firm purchases and transmission associated with short-term purchases and sales.

Q. Does Tampa Electric anticipate entering into new wholesale power purchases for 2024 and beyond?

A. Tampa Electric currently has no forward purchases for 2024 and, at this time, projects approximately 1 percent of

the company's expected needs for 2024 will be met using purchased power. However, similar to the current year, the company will search for forward purchase opportunities that benefit customers, which could result in capacity costs being incurred. Tampa Electric has projected a forecast of $4 million in its 2024 Capacity Cost Recovery Clause.

Q. How does Tampa Electric mitigate the risk of disruptions to its purchased power supplies during major weather-related events, such as hurricanes?

A. During hurricane season, Tampa Electric continues to utilize a purchased power risk management strategy to minimize potential power supply disruptions. The strategy includes monitoring storm activity; evaluating the impact of storms on existing forward purchases and the rest of the wholesale power market; communicating with suppliers about their storm preparations and potential impacts to existing transactions; purchasing additional power on the forward market, if appropriate, for reliability and economics; evaluating transmission availability and the geographic location of electric resources; reviewing sellers' fuel sources and dual-fuel capabilities; and focusing on fuel-diversified purchases. Absent the threat

of a hurricane, and for all other months of the year, the company evaluates economic combinations of short- and long-term purchase opportunities in the marketplace.

Q. Please describe Tampa Electric's wholesale energy sales for 2023 and 2024.

A. Tampa Electric entered into various non-separated (*e.g.*, next-hour and next-day sales) wholesale sales in 2023, and the company anticipates making additional non-separated sales during the balance of 2023 and 2024. The gains from these sales are shared between Tampa Electric and its customers through the company's optimization mechanism.

Q. Please summarize your direct testimony.

A. Tampa Electric constantly monitors and assesses the wholesale power market to identify purchase and sales opportunities that benefit the company's customers. By taking advantage of these opportunities, Tampa Electric reduces costs to and improves service reliability for customers. The company's energy supply strategy includes self-generation and physical short-term (e.g., hourly, next-day, weekly) and longer term (e.g., monthly,

seasonal) power purchases. The company also makes wholesale sales that benefit customers when market conditions allow. Tampa Electric's approach to the wholesale power market provides customers with a reliable supply at the lowest possible cost.

Q. Does this conclude your direct testimony?

A. Yes.

(Whereupon, prefiled direct testimony of John C. Heisey was inserted.)

TECO
TAMPA ELECTRIC
AN EMERA COMPANY

BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 20230001-EI

IN RE: FUEL & PURCHASED POWER COST RECOVERY

AND

CAPACITY COST RECOVERY

2022 OPTIMIZATION MECHANISM

TESTIMONY AND EXHIBIT

JOHN C. HEISEY

FILED: April 3, 2023

C17-1337

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

JOHN C. HEISEY

Q. Please state your name, address, occupation, and employer.

A. My name is John C. Heisey. My business address is 702 N. Franklin Street, Tampa, Florida 33602. I am employed by Tampa Electric Company ("Tampa Electric" or "company") as Director, Origination and Trading.

Q. Please provide a brief outline of your educational background and business experience.

A. I graduated from Pennsylvania State University with a Bachelor of Science in Business Logistics. I have over 25 years of power and natural gas trading experience, including employment at TECO Energy Source, FPL Energy Services, El Paso Energy, and International Paper. Prior to joining Tampa Electric, I was Vice President of Asset Trading for the Entegra Power Group LLC ("Entegra") where I was responsible for Entegra's energy trading activities. Entegra managed a large quantity of merchant

capacity in bilateral and organized markets. I joined Tampa Electric in September 2016 as the Manager of Gas and Power Trading. I have held the position of Director, Origination and Trading since August 2021. In this role, I am responsible for directing all activities associated with the procurement and delivery of energy commodities for Tampa Electric's generation fleet. Such activities include the trading, optimization, strategy, planning, origination, compliance and regulatory oversight of natural gas, power, coal, oil, byproducts, and associated delivery. I am also responsible for all aspects of the Optimization Mechanism.

Q. Please state the purpose of your testimony.

A. The purpose of my testimony is to present, for the Commission's review, the 2022 results of Tampa Electric's activities under the Optimization Mechanism, as authorized by FPSC Order No. PSC-2017-0456-S-EI, issued in Docket No. 20160160-EI on November 27, 2017.

Q. Do you wish to sponsor an exhibit in support of your testimony?

A. Yes. Exhibit No. JCH-1, entitled Optimization Mechanism

Results, was prepared under my direction and supervision. My exhibit shows the gains for each type of activity included in the Optimization Mechanism and the sharing of gains between customers and the company.

Q. Please provide an overview of the Optimization Mechanism.

A. The Optimization Mechanism is designed to create additional value for Tampa Electric's customers while also providing an incentive to the company if certain customer-value thresholds are achieved. The Optimization Mechanism includes gains from wholesale power sales and savings from wholesale power purchases, as well as gains from other forms of asset optimization.

Q. Please describe Tampa Electric's Optimization Mechanism submitted in Docket No. 20160160-EI and approved by Order No. PSC-2017-0456-S-EI.

A. Effective January 1, 2018, for the four-year period from 2018 through 2021, gains on all optimization mechanism activities, including short-term wholesale sales, short-term wholesale purchases, and all forms of asset optimization undertaken each year will be shared between shareholders and customers. The sharing thresholds are

(a) for the first $4.5 million per year, 100 percent of gains to customers; (b) for gains greater than $4.5 million per year and less than $8.0 million per year, split 60 percent to shareholders and 40 percent to customers; and (c) for gains greater than $8.0 million per year, 50-50 sharing between shareholders and customers.

Authorization for the company's Optimization Mechanism activities has been extended through December 31, 2024, by Commission Order No. PSC-2021-0423-S-EI, issued on November 21, 2021.

Optimization Mechanism Transactions

Q. Please provide the details of Tampa Electric's short-term wholesale sales under the Optimization Mechanism for 2022.

A. Optimization Mechanism gains from wholesale sales were $10,413,746 or 42 percent of total optimization gains for 2022. The monthly detail is shown in my exhibit in the schedule "Wholesale Sales-Table 3."

Q. Please provide the details of Tampa Electric's short-term wholesale purchases under the Optimization Mechanism for

2022.

A. Optimization Mechanism gains from wholesale purchases were $13,340,163 or 54 percent of total optimization gains for 2022. The monthly detail can be found in my exhibit in the schedule "Wholesale Purchases-Table 4."

Q. Please describe Tampa Electric's asset optimization activities and the gains from those transactions under the Optimization Mechanism for 2022.

A. Optimization Mechanism gains from asset optimization activities were $815,452 or 4 percent of total optimization gains for 2022. The gains from asset optimization activities are shown in my exhibit in the schedule "Asset Optimization Detail-Table 5."

A description of Tampa Electric's 2022 asset optimization activities is provided below.

- Delivered solid fuel and or transportation capacity sales using existing transport - sell coal and coal transportation, using Tampa Electric's existing coal and transportation capacity during periods when it is not needed to serve Tampa Electric's native electric load;

- Asset Management Agreement ("AMA") - outsource optimization functions to a third party through assignment of power, transportation and/or storage rights in exchange for a premium to be paid to Tampa Electric. In regard to transportation, revenue from the release of natural gas pipeline capacity is not subject to sharing under the Optimization Mechanism consistent with FPSC Order No. PSC-2017-0456-S-EI.

Q. Please summarize the activities and results of the Optimization Mechanism for 2022.

A. Tampa Electric participated in the following Optimization Mechanism activities in 2022: wholesale power purchases and sales, delivered solid fuel sales, and a natural gas storage AMA. The optimization gains for 2022 were $24,569,361 which exceeded the $4,500,000 threshold by $20,069,361 as shown in my exhibit on schedule "Total Gains Threshold Schedule-Table 1." Customer benefits were $14,184,680, and company benefits were $10,384,680 in 2022.

Q. Did Tampa Electric incur incremental Optimization Mechanism costs during 2022?

A. Yes, Tampa Electric incurred incremental Optimization Mechanism personnel costs to manage these activities. However, the company agreed that it would not seek recovery of these costs through the Optimization Mechanism if it was approved and therefore has not separately tracked the costs.

Q. Overall, were Tampa Electric's activities under the Optimization Mechanism successful in 2022?

A. Yes, Tampa Electric produced customer gains of $14,184,680 in the fifth year of Optimization Mechanism activity. The company continues to focus on improvements in processes, reporting, and optimization strategies.

High natural gas prices, extreme weather and low coal inventories drove power gains higher for both economic wholesale power purchases and power sales. Similar to results in 2020 and 2021, economic wholesale power purchases were the largest contributor of gains with 54 percent of total optimization gains. Wholesale power sales gains were driven by extreme demand due to above normal temperatures for most of the summer. Natural gas storage AMA gains were better than expected late in the year resulting from Winter Storm Elliot. Lastly, coal

sales contributed solid fuel gains.

Q. Does this conclude your testimony?

A. Yes, it does.

TECO
TAMPA ELECTRIC
AN EMERA COMPANY

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 20230001-EI
IN RE: TAMPA ELECTRIC'S
FUEL & PURCHASED POWER COST RECOVERY
AND CAPACITY COST RECOVERY

FUEL PROCUREMENT AND WHOLESALE POWER PURCHASES RISK MANAGEMENT PLAN

JANUARY 2024 THROUGH DECEMBER 2024

TESTIMONY AND EXHIBIT
OF
JOHN C. HEISEY

C17-1350

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

JOHN C. HEISEY

Q. Please state your name, business address, occupation, and employer.

A. My name is John C. Heisey. My business address is 702 North Franklin Street, Tampa, Florida 33602. I am employed by Tampa Electric Company ("Tampa Electric" or "company") as Director, Origination and Trading.

Q. Please provide a brief outline of your educational background and business experience.

A. I graduated from Pennsylvania State University with a Bachelor of Science in Business Logistics. I have over 27 years of power and natural gas trading experience, including employment at TECO Energy Source, FPL Energy Services, El Paso Energy, and International Paper. Prior to joining Tampa Electric, I was Vice President of Asset Trading for the Entegra Power Group, LLC ("Entegra") where I was responsible for Entegra's energy trading activities. Entegra managed a large quantity of merchant capacity in bilateral and organized markets.

C17-1351

Tampa Electric in September 2016 as the Manager of Gas and Power Trading. I have held the position of Director, Origination and Trading since August 2021. In this role, I am responsible for directing all activities associated with the procurement and delivery of energy commodities for Tampa Electric's generation fleet. Such activities include the trading, optimization, strategy, planning, origination, compliance and regulatory oversight of natural gas, power, coal, oil, byproducts, and associated delivery. I am also responsible for all aspects of the Optimization Mechanism.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to sponsor and describe Exhibit No. JCH-2, entitled Tampa Electric Company's Fuel Procurement and Wholesale Power Purchases Risk Management Plan 2024.

Q. Was this exhibit prepared by you or under your direction and supervision?

A. Yes, it was.

Q. Please describe your exhibit.

A. My Exhibit No. JCH-2 provides Tampa Electric's overall plan for mitigating risk in the company's procurement of fuel and purchased power during 2024.

Q. Is hedging activity included in Tampa Electric's Risk Management Plan for 2024?

A. No. In accordance with the 2021 Amended and Restated Stipulation and Settlement Agreement ("2021 Agreement"), approved by Commission Order No. PSC-2021-0423-S-EI issued on November 10, 2021, in Docket No. 20210034, the company agreed that it would not enter any new natural gas financial hedging contracts for fuel through December 31, 2024. Tampa Electric currently has no active natural gas hedges. In accordance with the 2021 Agreement, the company currently has no plans to engage in natural gas hedging activity.

Q. Does this conclude your testimony?

A. Yes, it does.

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 20230001-EI
FUEL & PURCHASED POWER COST RECOVERY
AND
CAPACITY COST RECOVERY

PROJECTIONS
JANUARY 2024 THROUGH DECEMBER 2024

TESTIMONY
OF
JOHN C. HEISEY

FILED: SEPTEMBER 5, 2023

C17-1363

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

JOHN C. HEISEY

Q. Please state your name, address, occupation, and employer.

A. My name is John C. Heisey. My business address is 702 N. Franklin Street, Tampa, Florida 33602. I am employed by Tampa Electric Company ("Tampa Electric" or "company") as Director, Origination and Trading.

Q. Have you previously filed testimony in Docket No. 20230001-EI?

A. Yes, I submitted direct testimony on April 3, 2023 and July 27, 2023.

Q. Has your job description, education, or professional experience changed since your most recent testimony?

A. No, they have not.

Q. Please describe your duties and responsibilities in that position.

A. I am responsible for directing all activities associated with the procurement and delivery of energy commodities for Tampa Electric's generation fleet. Such activities include the trading, optimization, strategy, planning, origination, compliance and regulatory oversight of natural gas, power, coal, oil, byproducts, and associated delivery. I am also responsible for all aspects of the Optimization Mechanism.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to discuss Tampa Electric's fuel mix, fuel price forecasts, potential impacts to fuel prices, and the company's fuel procurement strategies.

Fuel Mix and Procurement Strategies

Q. What fuels do Tampa Electric's generating stations use?

A. Tampa Electric's generation portfolio includes natural gas, solar, coal, and, as a backup fuel, oil powered units. Big Bend Unit 1 combined cycle operates on natural gas, and Big Bend Unit 4 can operate on coal or natural

gas. Polk Unit 1 can operate on natural gas or a blend of petroleum coke and coal. Currently, the company is operating Polk Unit 1 on natural gas and Big Bend Unit 4 on natural gas and coal. Polk Unit 2 combined cycle uses natural gas as a primary fuel and oil as a secondary fuel; and Bayside Station combined cycle units and the company's collection of peakers (*i.e.,* aero-derivative combustion turbines) all utilize natural gas. Since it serves as a backup fuel, oil consumption is primarily for testing, and oil is a negligible percentage of system generation. Based upon the 2023 actual-estimate projections, the company expects 2023 total system generation, excluding purchased power, to be 88 percent natural gas, 9 percent solar, and 3 percent coal.

Likewise, in 2024, natural gas-fired and solar generation are expected to be 86 percent and 12 percent of total generation, respectively, with coal-fired generation making up 2 percent of total generation.

Q. Please describe Tampa Electric's fuel supply procurement strategy.

A. Tampa Electric emphasizes flexibility and options in its fuel procurement strategy for all its fuel needs. The

company strives to maintain many creditworthy and viable suppliers. Similarly, the company endeavors to maintain multiple delivery path options. Tampa Electric also attempts to diversify the locations from which its supply is sourced. Having a greater number of fuel supply and delivery options provides increased reliability and flexibility to pursue lower cost options for Tampa Electric customers.

Natural Gas Supply Strategy

Q. How does Tampa Electric's natural gas procurement and transportation strategy achieve competitive natural gas purchase prices for long- and short-term deliveries?

A. Tampa Electric uses a portfolio approach to natural gas procurement. This approach consists of a blend of pre-arranged base, intermediate, and swing natural gas supply contracts complemented with shorter term spot and seasonal purchases. The contracts have various time lengths to help secure needed supply at competitive prices while maintaining the flexibility to adapt to any changing fuel needs. In 2023, Tampa Electric will utilize an online auction process, in addition to a traditional RFP process, to procure annual gas supply requirements for the portfolio. The objective of the auction is to increase

competition and lower natural gas expense for the benefit of Tampa Electric customers. Tampa Electric purchases its physical natural gas supply from creditworthy counterparties, enhancing the liquidity and diversification of its natural gas supply portfolio. Tampa Electric targets natural gas supply that is reliable and resistant to the impacts of extreme weather. The natural gas prices are based on monthly and daily price indices, further increasing price diversification.

Tampa Electric diversifies its pipeline transportation assets, including receipt points. The company also utilizes pipeline and storage services to enhance access to natural gas supply during hurricanes, extreme weather or other events that constrain supply. Such actions improve the reliability and cost-effectiveness of the physical delivery of natural gas to the company's power plants. Furthermore, Tampa Electric strives daily to obtain reliable supplies of natural gas at favorable prices to mitigate costs for its customers.

Q. Please describe Tampa Electric's diversified natural gas transportation agreements.

A. Tampa Electric currently receives natural gas directly

via the Florida Gas Transmission ("FGT") and Gulfstream Natural Gas System, LLC ("Gulfstream") pipelines. The ability to deliver natural gas from two pipelines increases the fuel delivery reliability for Bayside Power Station, which is composed of two large natural gas combined-cycle units and four aero-derivative combustion turbines, and Big Bend Station, which is comprised of one combined cycle unit, one steam generating unit, and one aero-derivative combustion turbine. Polk Station receives natural gas from FGT to support natural gas consumption in Polk Units 1 and 2.

Q. Are there any significant changes to Tampa Electric's expected natural gas usage?

A. Tampa Electric's natural gas usage is expected to slightly increase in 2024 when compared to 2023. Less planned maintenance in the fall of 2024 will result in an increase in natural gas usage in the period.

Q. What actions does Tampa Electric take to enhance the reliability of its natural gas supply?

A. Tampa Electric maintains natural gas storage capacity with Bay Gas Storage near Mobile, Alabama to provide

operational flexibility and reliability of natural gas supply. The company reserves 2,000,000 MMBtu of long-term storage capacity at this location. This storage was used during Storm Uri in February 2021 and Storm Elliott in December of 2022 to replace interrupted supply and to mitigate costs for our customers.

In addition to storage, Tampa Electric maintains diversified natural gas supply receipt points in FGT Zones 1, 2, and 3. Diverse receipt points reduce the company's vulnerability to hurricane impacts and provide access to potentially lower priced gas supply.

Tampa Electric also reserves capacity on the Southeast Supply Header ("SESH"), Gulf South pipeline ("Gulf South"), and Transco's Mobile Bay Lateral ("Transco"). SESH, Gulf South, and Transco are upstream pipelines that connect the receipt points of FGT, Gulfstream, and other Mobile Bay area pipelines with natural gas supply in the mid-continent and northeast. Mid-continent and northeast natural gas production, specifically shale production, has grown and continues to increase. Thus, SESH, Gulf South, and Transco capacity give Tampa Electric access to secure, competitively priced onshore gas supply for a portion of its portfolio. Tampa Electric continuously

evaluates its gas transportation portfolio based on changing market conditions to ensure access to reliable natural gas supply. All receipt points in the portfolio are reviewed annually to ensure access to reliable supply basins.

Q. Has Tampa Electric acquired additional natural gas transportation for 2023 and 2024 due to greater use of natural gas?

A. Yes. For January and February 2023, Tampa Electric acquired short-term capacity on Sabal Trail and Gulf Stream to increase the reliability of the portfolio for its projected winter peak. In addition, power purchases were executed for January and February as a lower cost solution compared to acquiring additional short-term pipeline capacity. These power purchases are mentioned in the testimony of Tampa Electric witness Benjamin F. Smith, II. In the fall of 2022 and spring of 2023, Tampa Electric acquired additional long-term pipeline capacity on SESH. This capacity provides additional upstream transportation for the portfolio to mitigate Mobile Bay supply risk, as well as provides access to abundant Haynesville shale gas supply. For 2024, Tampa Electric has not acquired additional capacity but is continuously monitoring market

conditions and opportunities to improve portfolio reliability.

Coal Supply Strategy

Q. Please describe Tampa Electric's solid fuel usage and procurement strategy.

A. As with its natural gas strategy, Tampa Electric uses a portfolio approach to coal procurement. Big Bend Unit 4 is designed to burn high-sulfur Illinois Basin coal and is fully scrubbed for sulfur dioxide and nitrogen oxides, and the unit has been upgraded to operate on natural gas. Polk Unit 1 can burn a blend of petroleum coke and low sulfur coal, or natural gas. Each plant has varying operational and environmental restrictions and requires solid fuel with custom quality characteristics such as ash content, fusion temperature, sulfur content, heat content, and chlorine content.

Coal is not a homogenous product. The fuel's chemistry and contents vary based on many factors, including geography. The variability of the product dictates that Tampa Electric select its fuel based on multiple parameters. Those parameters include unique coal quality characteristics, price, availability, deliverability, and

creditworthiness of the supplier.

To minimize costs, maintain operational flexibility, and ensure reliable supply, Tampa Electric typically maintains a portfolio of bilateral coal supply contracts with varying term lengths. Tampa Electric monitors the market to obtain the most favorable prices from sources that meet the needs of the generation stations. The use of daily and weekly publications, independent research analyses from industry experts, discussions with suppliers, and coal solicitations aid the company in monitoring the coal market. This market intelligence also helps shape the company's coal procurement strategy to reflect short- and long-term market conditions. Tampa Electric's strategy provides a stable supply of reliable fuel sources. In addition, this strategy allows the company the flexibility to take advantage of favorable spot market opportunities and address operational needs.

Q. Please summarize how Tampa Electric will manage its solid fuel supply contracts through 2024.

A. After a challenging year in 2022, coal supply, rail transportation and inventory levels have improved dramatically in 2023. Tampa Electric will supply the Big

Bend and Polk Stations with solid fuel through a combination of existing inventory, short-term contracts, and, as necessary, spot purchases in support of the most economic commitment and dispatch for the generation fleet. Short-term and spot purchases allow the company to adjust supply to reflect changing coal quality and quantity needs, operational changes, and pricing opportunities. Currently, the company is operating Polk Unit 1 on natural gas and Big Bend Unit 4 on natural gas and coal.

Coal Transportation

Q. Please describe Tampa Electric's solid fuel transportation arrangements.

A. Tampa Electric can receive coal at its Big Bend Station via waterborne or rail delivery. Once delivered to Big Bend Station, solid fuel is consumed onsite, or blended and trucked to Polk Station for consumption in Polk Unit 1. As a result of declining solid fuel burns over the last few years, Tampa Electric now purchases delivered coal, where waterborne coal supply and transportation are arranged by the supplier. Procuring delivered waterborne coal continues to provide customers with competitive coal prices through a simplified process. Commodity and

transportation of coal by rail is still being arranged separately, as necessary.

Q. Why does the company maintain multiple coal transportation options in its portfolio?

A. Bimodal solid fuel transportation to Big Bend Station affords the company and its customers various benefits. Those benefits include 1) access to more potential coal suppliers, which results in a more competitively priced, and diverse, delivered coal portfolio; 2) the opportunity to switch to either water or rail in the event of a transportation breakdown or interruption on the other mode; and 3) competition among transporters for future solid fuel transportation contracts. The benefits of bimodal solid fuel transportation were apparent in 2022 as coal deliveries by rail were not reliable due to labor shortages in the rail industry.

Q. Will Tampa Electric continue to receive coal deliveries via rail in 2023 and 2024?

A. Yes. Although we experienced supply and transport challenges this year, Tampa Electric expects to receive coal for use at Big Bend Station through the Big Bend

rail facility during 2023 and 2024.

Q. Please describe Tampa Electric's expectations regarding waterborne coal deliveries.

A. Tampa Electric expects to receive the majority of its solid fuel supply in 2024 from waterborne deliveries to its unloading facilities at Big Bend Station. These deliveries come via the Mississippi River System or from foreign sources. The ultimate supply source is dependent upon quality, operational needs, and lowest overall delivered cost.

Q. Do you have any other updates to provide regarding Tampa Electric's solid fuel transportation portfolio?

A. Yes. Tampa Electric continues to burn natural gas as the economic fuel in Polk Unit 1. Big Bend Unit 4 is projected to burn coal and gas in 2024. Although coal consumption has decreased relative to previous years, the expected coal burn in 2024 will be similar to 2023.

Q. Has Tampa Electric reasonably managed its fuel procurement practices for the benefit of its retail customers?

A. Yes. Tampa Electric diligently manages its mix of long-term, intermediate, and short-term purchases of fuel in a manner designed to reduce overall fuel costs while maintaining electric service reliability. The company's fuel activities and transactions are reviewed and audited on a recurring basis by the Commission. In addition, the company monitors its rights under contracts with fuel suppliers to detect and prevent any breach of those rights. Tampa Electric continually strives to improve its knowledge of fuel markets and take advantage of opportunities to minimize the costs of fuel.

Q. Are there any other pertinent aspects of how Tampa Electric manages its fuel supply portfolio?

A. Yes. As part of Tampa Electric's 2017 Amended and Restated Stipulation and Settlement Agreement approved by Commission Order No. PSC-2017-0456-S-EI, issued on November 27, 2017 in Docket No. 20170210-EI, and extended by the 2021 Stipulation and Settlement Agreement approved by Order No. PSC-2021-0423-S-EI issued on November 10, 2021 in Docket No. 20210034-EI, Tampa Electric has been operating under an Asset Optimization Mechanism since January 1, 2018. This Optimization Mechanism encourages Tampa Electric to market temporarily unused fuel supply

assets to capture cost mitigation benefits for customers. These benefits have come through economic power purchases, economic power sales, participation in the Southeast Energy Exchange Market ("SEEM"), resale of unneeded fuel supply, an asset management agreement for natural gas storage, and utilization of natural gas and solid fuel storage and transportation assets.

Projected 2024 Fuel Prices

Q. How does Tampa Electric project fuel prices?

A. Tampa Electric reviews fuel price forecasts from sources widely used in the industry, including the New York Mercantile Exchange ("NYMEX"), S&P Global Future Energy Outlooks, S&P Global Market Intelligence, the Energy Information Administration, and other energy market information sources. Future prices for energy commodities as traded on NYMEX, averaged over five consecutive business days ending June 23, 2023, form the basis of the natural gas and No. 2 oil market commodity price forecasts. The price projections for these two commodities are then adjusted to incorporate expected transportation costs and location differences.

Coal commodity and transportation prices are projected

using contracted prices and information from industry recognized consultants and published indices, such as Coaldesk, LLC and Argus coal and petcoke publications. Also, the price projections are specific to the quality and mined location of coal utilized by Tampa Electric's Big Bend Unit 4 and Polk Unit 1. Final as-burned prices are derived using expected commodity prices and associated transportation costs.

Q. How do the 2024 projected fuel prices compare to the fuel prices projected for 2023 in the company's mid-course correction filing?

A. After the mild winter earlier this year, natural gas storage inventory levels are back above the 5-year average and production has been strong through the first half of the year causing prices to fall from elevated levels in 2022. Year-to-date gas prices have been lower than the company's mid-course correction fuel filing in January 2023 but are expected to increase in 2024 as current lower prices will prompt a decline in production growth, resulting in an increase in prices. For coal, the 2024 projected prices are lower than those in 2023.

The commodity price for natural gas during 2024 is

projected to be lower ($3.53 per MMBtu) than the 2023 price ($4.38 per MMBtu) projected in the company's mid-course correction fuel filing. The 2024 delivered coal price projection is lower ($93.15 per ton) than the price projected for 2023 ($102.08 per ton) during preparation of the 2023 mid-course correction fuel clause factors.

Q. Does this conclude your direct testimony?

A. Yes.

CHAIRMAN FAY: Next we will move to exhibits, Ms. Brownless.

MS. BROWNLESS: Staff has compiled a stipulated comprehensive exhibit list, which includes the prefiled exhibits attached to the witnesses' testimony as well as staff Exhibits 54 through 58 and 60 through 71. The list has been provided for the parties, the Commissioners and the court reporter.

At this time, staff requests that the comprehensive exhibit list be marked for identification purposes as Exhibit No. 1, and that the other exhibits be marked for identification as set forth on the comprehensive exhibit list.

CHAIRMAN FAY: Okay. Great. Show those exhibits marked.

(Whereupon, Exhibit Nos. 1-71 were marked for identification.)

MS. BROWNLESS: We now request that the comprehensive exhibit list, market as Exhibit No. 1, be entered not record.

CHAIRMAN FAY: Okay. Exhibit 1 entered into the record.

(Whereupon, Exhibit No. 1 was received into evidence.)

MS. BROWNLESS: And we would request that stipulated staff exhibits be entered into the record.

CHAIRMAN FAY: All right. Ms. Brownless, we have Exhibits 54 through 58 and 60 through 71, is that correct?

MS. BROWNLESS: Yes, sir.

CHAIRMAN FAY: Okay. Showing no objection, show those entered into the record.

(Whereupon, Exhibit Nos. 54-58 & 60-71 were received into evidence.)

CHAIRMAN FAY: Then do we have exhibits --

MS. BROWNLESS: The exhibits that are agreed to by the parties are Nos. 2 through 53.

CHAIRMAN FAY: Okay. Great, any objections to Exhibits 2 through 53?

Okay. Showing no objections, show those entered into the record.

(Whereupon, Exhibit Nos. 2-53 were received into evidence.)

CHAIRMAN FAY: All right. Go ahead, Ms. Brownless.

MS. BROWNLESS: Does any party wish to make opening statements at this time?

CHAIRMAN FAY: Okay. With that, then, Ms.

Brownless, we will move into the stipulations.

MS. BROWNLESS: Yes, sir.

The Type 2 stipulations are as follows:

For DEF, 1A through 1E, 5 through 10, 14 through 20, 21A through 21D, 24 through 30, and 31 through 33.

For FPL, 2A through 2J, 5, 7 through 10, 14 through 20, 22A, 24 through 30, and 31 through 33.

For FPUC, 3A, 7 through 10, 16 through 20, 31 through 33.

For TECO, 4A through 4B, 5, 7 through 10, 14 through 20, 24 through 30, and 31 through 33.

And it's my understanding that all parties have agreed to waive briefs, is that correct?

CHAIRMAN FAY: Okay.

MS. BROWNLESS: Okay. And at this time, we would request a bench decision on these issues, and staff is available to answer questions.

CHAIRMAN FAY: Okay. Great.

Commissioners, we will take up any questions on the Type 2 stipulations presented by Ms. Brownless at this time.

Commissioner Clark.

COMMISSIONER CLARK: Mr. Chairman, I would move to approve the Type 2 stipulations in the 01

docket.

COMMISSIONER PASSIDOMO: Second.

CHAIRMAN FAY: Okay. We have a motion and a second.

Commissioner Clark, are you sure you don't want to read those specific --

COMMISSIONER CLARK: I am --

CHAIRMAN FAY: -- into the --

All right. With that, as presented by Ms. Brownless, we have a motion for Type 2 stipulations and a second.

All that approve say aye.

(Chorus of ayes.)

CHAIRMAN FAY: Okay. Showing those approved unanimously.

Any other matters from the parties?

Okay. With that, I just -- I would like to add, I appreciate the parties' work on this. I appreciate the Prehearing Officer. The irony of these dockets is the better job the Prehearing Officer does the easier the job is for the Chair, so I appreciate your work on these.

And with that, Commissioners, are there any other questions or comments we have before we adjourn the 07 docket?

All right. With that, we will adjourn the meeting. Thank you.

(Proceedings concluded.)

CERTIFICATE OF REPORTER

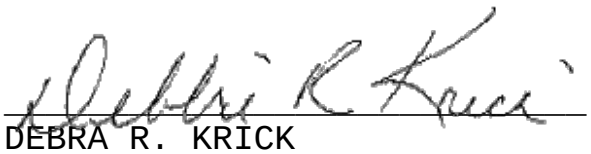
STATE OF FLORIDA)
COUNTY OF LEON)

I, DEBRA KRICK, Court Reporter, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

IT IS FURTHER CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript constitutes a true transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorney or counsel connected with the action, nor am I financially interested in the action.

DATED this 13th day of November, 2023.



DEBRA R. KRICK
NOTARY PUBLIC
COMMISSION #HH31926
EXPIRES AUGUST 13, 2024