AUSLEY MCMULLEN

Attorneys and Counselors at Law
123 South Calhoun Street
P.O. Box 391 32302
Tallahassee, FL 32301
P: (850) 224-9115
F: (850) 222-7560
ausley.com

April 2, 2024

ELECTRONIC FILING

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

Re: Docket 20240026-EI; Petition for Rate Increase by Tampa Electric Company

Dear Mr. Teitzman:

Attached for filing on behalf of Tampa Electric Company in the above-referenced docket is the Direct Testimony of Jordan Williams and Exhibit No. JW-1.

Thank you for your assistance in connection with this matter.

(Document 20 of 32)

Sincerely,

J. Jeffry Wahlen

cc: All parties

JJW/ne
Attachment

BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 20240026-EI

IN RE: PETITION FOR RATE INCREASE

BY TAMPA ELECTRIC COMPANY

PREPARED DIRECT TESTIMONY AND EXHIBIT

OF

JORDAN WILLIAMS

TABLE OF CONTENTS

PREPARED DIRECT TESTIMONY AND EXHIBIT

OF

JORDAN WILLIAMS

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

JORDAN WILLIAMS

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

A. My name is Jordan Williams. My business address is 702 North Franklin Street, Tampa, Florida 33602. I am employed by Tampa Electric Company ("Tampa Electric" or the "company") in the Regulatory Affairs Department as Director Pricing & Financial Analysis.

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

A. My present responsibilities include regulatory oversight of Tampa Electric's Cost-of-Service Study ("COSS"), retail base rate design, tariff administration, Federal Open Access Tariff formula rate updates, state and federal policy and compliance; regulatory filings and representation at the Florida Public Service Commission ("FPSC" or "Commission") and the Federal Energy Regulatory Commission ("FERC") regarding rates; service programs; and compliance-related matters.

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

A. In 2011, I received a Bachelor of Arts in Economics and a Bachelor of Science in Business Administration from Florida Southern College. In 2014, I received a Master of Arts in Economics from the University of South Florida.

I joined Tampa Electric in 2011 as an Energy Accounting and Billing Analyst. In 2014, I joined Tampa Electric's Regulatory Affairs Department as a Forecast Analyst. In 2020, I transitioned to another Emera Inc. affiliate named Peoples Gas System Inc., formerly Peoples Gas System, as Manager, Regulatory Rates. In 2022, I rejoined Tampa Electric's Regulatory Affairs Department as Senior Manager, Pricing & Financial Analysis. In 2023, I was promoted to my current role as Director, Pricing and Financial Analysis. Each of the roles that I have held has been tied directly to COSS or rates.

OVERVIEW

Q. What are the purposes of your prepared direct testimony in this proceeding?

A. The first purpose of my direct testimony is to present and

explain Tampa Electric's filed COSS and proposed base rates and service charges that will produce the company's jurisdictional revenue requirement increase of $296.611 million. I also explain Tampa Electric's proposed miscellaneous tariff changes and a proposed new program offering.

Q. Did you prepare any exhibits in support of your prepared direct testimony?

A. Yes. Exhibit No. JW-1 was prepared under my direction and supervision. My exhibit consists of:

Document No. 1	List of Minimum Filing Requirements Schedules Sponsored or Co-Sponsored By Jordan Williams

Q. Are Tampa Electric's Jurisdictional Separation Study and COSS provided as part of the company's Minimum Filing Requirement ("MFR") Schedules?

A. Yes. I have provided both studies in MFR Schedule E. Due to their size, the Jurisdictional Separation Study and COSS were provided as separate volumes under MFR Schedule E, respectively as Volume I and Volume II. Volume II contains

Tampa Electric's COSS under present and proposed rates, fully implementing the Minimum Distribution System ("MDS") cost classification methodology and the Four Coincident Peak ("4 CP") cost allocation methodology. Volume III contains the FPSC required COSS using a Twelve Coincident Peak and One-Thirteenth Average Demand ("12 CP and 1/13th AD") cost allocation methodology and excludes the implementation of MDS. The COSS for Lighting is provided in Volume IV.

Q. What are the primary goals reflected in Tampa Electric's proposed COSS?

A. The primary goals of Tampa Electric's proposed COSS were to implement agreed upon changes to the COSS model and to fairly allocate costs. Paragraph 6d of the 2021 Stipulation and Settlement Agreement ("2021 Agreement"), approved by the FPSC in Order No. PSC-2021-0423-S-EI, requires Tampa Electric to make three changes to its proposed COSS Model for this base rate proceeding. These are:

(1) For retail-related costs, implement a full MDS cost classification methodology.

(2) For retail-related costs, implement a 4 CP cost allocation methodology.

(3) Substantially and materially improve the position of all above-parity customer classes toward parity, such that costs

are allocated and revenue is collected consistent with 4 CP and full MDS methods.

The proposed Cost-of-Service Study meets each of the requirements and fairly allocates costs.

JURISDICTIONAL SEPARATION STUDY

Q. What is a Jurisdictional Separation Study?

A. A Jurisdictional Separation Study allocates costs between Tampa Electric's wholesale and retail customers or jurisdictions. While all costs are allocated, the allocation of joint costs is the focal point of the study. Joint or common costs are costs that are incurred to serve multiple customers at the same time. An example of a common cost is a generating plant that provides power to the aggregate load requirements of all customers served by the company's power system. The joint costs of the generating plant are recorded in the company's books and records in total, and the Jurisdictional Separation Study allocates the joint costs between retail and wholesale customers. Only the costs associated with retail customers are applicable in this proceeding.

The Jurisdictional Separation Study allocates revenue, rate

base, and operating expense items, whether jointly or specifically assigned to a single jurisdiction, to derive the company's retail jurisdiction cost of service for the test period. Costs are first functionalized, then classified, and finally allocated between wholesale and retail jurisdictions. These allocations utilize electric loads and other factors that best represent each jurisdiction's cost responsibility to achieve this purpose. A detailed description of how costs are functionalized, classified, and allocated is provided below. The overall methodology is the same in both the Jurisdictional Separation Study and the Retail COSS, which I will discuss later.

Q. Why is it necessary to prepare a Jurisdictional Separation Study for Tampa Electric?

A. Since early 1991, the company has provided wholesale power sales and transmission service to some wholesale power purchasers in Florida at rates that are under the jurisdiction of the FERC. Although the company operates in two regulatory jurisdictions, its investments, revenue, and expenses are maintained on a total company basis in accordance with the Uniform System of Accounts prescribed by the FERC and the FPSC. The Jurisdictional Separation Study is designed to assign or allocate total system costs to each jurisdiction

for reporting purposes.

Q. Is the Jurisdictional Separation Study provided in this proceeding consistent with Tampa Electric's previous Commission filings and industry practice?

A. Yes. The company provided a Jurisdictional Separation Study in its last base rate proceeding, in Docket 20210034-EI, that led to an approved methodology by the FPSC. The approved methodology has been used to produce separation factors for Tampa Electric's annual projected surveillance reports and is used in MFRs for this proceeding.

Q. What were the major steps followed in performing the Jurisdictional Separation Study?

A. There are several steps. First, the company's accounting cost information provided by FERC account, shown in the MFR Schedules B, C, and D, is adjusted for the 2025 test period. The accounts are then functionalized into production, transmission, distribution, and general functions. The functionalized accounts are then classified into demand, energy, or customer cost components. After classification, the cost components are allocated between the retail and wholesale jurisdictions using allocation factors. For the

Jurisdictional Separation Study, the allocation factors are predominantly based on demand data during the time of the company's projected system monthly peak loads, although other factors are used that directly allocate certain costs to the specific jurisdiction for which the costs are incurred. In addition, other metrics such as energy sales and number of customers are used in the allocation process.

Q. Are any wholesale power sales customers included in the 2025 test year?

A. No. Currently, and as forecasted for the 2025 test year, Tampa Electric is not providing long-term firm requirements electric power service to any wholesale customers.

Q. Does Tampa Electric currently provide transmission service to other Open Access Transmission Tariff ("OATT") customers?

A. Yes. Tampa Electric is providing long-term firm transmission service in the test year under the company's OATT to Seminole Electric Cooperative, Inc. and Duke Energy Florida, LLC.

Q. Please summarize the results of the Jurisdictional Separation Study.

A. In 2025, Tampa Electric's retail business represents the vast majority of the electric service provided by the company. As the results show in Volume I, Jurisdictional Separation Study, the retail business is responsible for 100 percent of production and distribution plant and 93.52 percent of transmission plant.

COST OF SERVICE STUDY

Q. What is a Cost-of-Service Study?

A. The COSS is an extension of the Jurisdictional Separation Study. The COSS applies to the company's retail costs, which are derived from Tampa Electric's Jurisdictional Separation Study. The COSS allocates and assigns costs to individual retail rate classes. These rate classes represent relatively homogeneous groups of customers having similar service requirements and usage characteristics. Allocations of costs to each rate class are based upon the results of a detailed cost analysis. The study provides class rates of return at present and proposed rates, class revenue surplus or deficiency from full cost of service, and functional unit cost information for use in rate design. Thus, the study serves as an important guide in determining the revenue requirement by rate class, as well as the specific charges for each rate schedule.

Q. What retail rate classes were used in the preparation of the Cost-of-Service Study?

A. Tampa Electric is not proposing any changes to its current rate class structure. Tampa Electric's current standard, time-of-day, and standby rate schedules are grouped under these major retail categories:

(1) Residential Service (RS)
(2) General Service – Non-Demand (GS)
(3) General Service – Demand (GSD)
(4) General Service – Large Demand – Primary (GSLDPR)
(5) General Service – Large Demand – Subtransmission (GSLDSU)
(6) Lighting Energy
(7) Lighting Facilities

Q. Why are Lighting rate classes separated by Lighting Energy and Lighting Facilities?

A. Dividing Lighting into two rate classes, Lighting Energy (power production and delivery) and Lighting Facilities (fixtures and associated items), provides better unit cost information for designing energy and facilities rates. The two services are distinct and are not always provided as a bundled service by Tampa Electric.

Q. After establishing the rate classes, what were the next steps in the Cost-of-Service Study process?

A. Similar to the Jurisdictional Separation Study, the development of a COSS consists of three major steps:

(1) Functionalization

(2) Classification

(3) Allocation

Q. How were Tampa Electric's retail costs functionalized?

A. Tampa Electric's costs were functionalized in accordance with the Uniform System of Accounts. Costs are categorized into the broad functions of production, transmission, distribution, and general. The distribution costs were further functionalized to the primary voltage level and the secondary voltage level.

Q. How were these functionalized costs then classified?

A. Tampa Electric's power system costs were classified into three cost-related components:

(1) Demand

(2) Energy

(3) Customer

Demand cost is a function of the capacity of plant, which in turn depends on the maximum kW for power demanded by customers. Demand cost occurs in each of the production, transmission, and distribution levels of the system. Energy cost occurs in the production level, and it is a function of the volume of kWh consumed by customers over time. Customer costs, however, are independent of kW and kWh usage. Customer costs generally vary with the number of customers on the system. Customer costs refer to the costs incurred by Tampa Electric to provide a customer with access to its system and include metering, service lines, a portion of the system known as the Minimum Distribution System, along with customer billing and certain administrative costs.

The classification of demand, energy, and customer cost components is based on the principle of cost causation.

Q. Are all of the company's production plant facilities classified as demand-related in the COSS?

A. No. There are portions of two production facilities that are classified as energy-related for purposes of allocating the FPSC jurisdictional component of these facilities on an energy basis. These facilities consist of the gasifier train equipment ("gasifier") for Polk Unit 1 and the flue gas

desulfurization, or scrubber, portion of the environmental equipment for Big Bend Unit 4.

Polk 1 is an Integrated Gasified Combined Cycle ("IGCC") plant which has two main sections: (1) the power block, which produces electric power by means of gas turbines and heat recovery steam generators and (2) the gasifier, which converts feedstock coal into combustible gas. The gasifier performs a fuel conversion function that is completely associated with the provision of fuel to the unit and not the supply of capacity. The classification of the gasifier as an energy-related cost component was applied and approved in Tampa Electric's last four COSS.

The classification of the Big Bend Unit 4 scrubber as energy-related was applied and approved in the company's last five COSS. This treatment remains appropriate because the main purpose of the plant investment is related to energy output. Since the decision to classify the scrubber investment as energy-related, additional scrubber and Selective Catalytic Reduction ("SCR") investments made by the company have been recovered through the Environmental Cost Recovery Clause ("ECRC") where they have been classified and allocated on an energy basis.

It should be noted that, for purposes of the Jurisdictional Separation Study, all production plant facilities are classified as demand-related, which is consistent with prior jurisdictional separation practices.

Q. What cost items were classified as customer-related?

A. As noted previously, customer-related costs are independent of kW and kWh consumption. They include the basic costs of service lines, meters, meter reading, billing, customer information and a portion of the primary and secondary voltage distribution system known as the Minimum Distribution System, or MDS. As agreed upon in the 2021 Agreement, Tampa Electric fully implemented MDS in its proposed COSS.

Q. Please describe what is meant by a Minimum Distribution System ("MDS")?

A. MDS represents the readiness to serve a customer, not the capacity needed to meet a customer's peak demand requirements. MDS is only about providing an appropriate utilization voltage at the point at which a customer connects to the distribution system, and costs are incurred to provide a customer with such access. The readiness to serve costs are independent of how much electricity a customer consumes;

thus, MDS costs are classified as customer-related cost components. MDS does not represent the costs of capacity necessary to meet a customer's peak load requirements, which would be classified as demand-related cost components. An MDS study separates the costs of distribution facilities into their respective customer-related and demand-related components on the basis of cost causation.

Q. How is a Minimum Distribution System Study performed?

A. Quantifying the costs of MDS is accomplished by evaluating the cost causation aspects of all distribution system equipment and facilities, including the primary and secondary lines, line transformers, and other distribution line equipment. This approach requires an understanding of the functional application of each distribution item. In so doing, some items are found to be related directly to peak load requirements (100 percent demand-related), some items are found to be independent of peak load requirements (100 percent customer-related), and other items are found to be functionally associated with both readiness to serve and capacity.

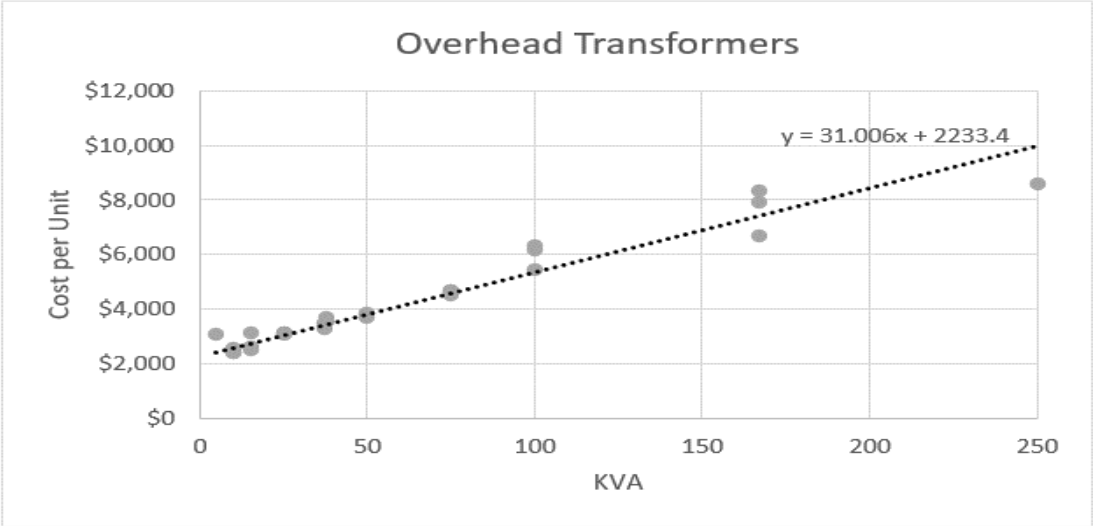
The costs of items having attributes of both customer-related and demand-related functions must be analyzed in order to

separate the total item costs into these two cost components. These items include overhead line equipment, underground line equipment, poles, transformers, and other associated equipment.

The underlying methodology of MDS is described as either the Minimum-Size Method or the Minimum-Intercept Method in the National Association of Regulatory Utility Commissioners' ("NARUC") Electric Utility Cost Allocation Manual. The Minimum-Intercept Method is also referred to as the Zero-Intercept Method.

To accomplish this cost separation, Tampa Electric applies a zero-intercept cost analysis for each of these distribution items. The zero-intercept method is a linear regression analysis that relates a distribution item's unit costs (dependent variable) to its associated capacity values (independent variable). The regression formula includes weights (*i.e.*, the number of transformers for each kVa size) since the count of the assets may vary by size and are not a uniform distribution.

An example of a regression analysis is illustrated below for overhead transformers.



The y-axis intercept defines the per unit customer-related cost. In the example, the y-axis intercept is at (0, 2,233.4), meaning the per unit customer-related cost is $2,233.40. From this example, the per unit customer cost would be multiplied by the total number of overhead transformers; the result would be classified as customer-related costs. The difference between the total cost of overhead transformers and the customer-related costs of overhead transformers represents the demand-related costs of overhead transformers. The resulting customer-related costs and demand-related costs are represented as percentages, which are then applied to the embedded plant account total for overhead transformers to determine the embedded customer-related and demand-related cost components to be used in the COSS.

Separate regression analyses were conducted on overhead

transformers, underground transformers and for primary and secondary overhead conductors, underground conductors, and distribution poles to separate the total costs of these items into their respective customer and demand components.

Q. Please summarize the resultant classifications of distribution facilities that were derived under the MDS concept.

A. Below, the MDS results are summarized by voltage level and cost component.

FERC Account	Voltage Level	Customer	Demand
364 Poles	Secondary	57%	43%
	Primary	54%	46%
365 OH Lines	Secondary	73%	27%
	Primary	43%	57%
366/367 UG Lines	Secondary	16%	84%
	Primary	47%	53%
368 Transformers	Secondary	65%	35%
	Primary	72%	28%

Supporting workpapers for the MDS analysis are provided in MFR Schedule E – Rate Schedules, Class Cost-of-Service Studies, Volume II.

Q. How were the MDS study results incorporated in the COSS?

A. As agreed upon in the 2021 Agreement, Tampa Electric fully implemented and incorporated the results of the MDS study into the COSS. This means the distribution costs deemed customer-related as a result of the MDS study were aggregated with customer-related costs like meter reading, billing, and customer services. The aggregated customer-related costs were used to derive Tampa Electric's proposed fixed daily customer charges.

Q. Aside from MDS-related equipment and facilities, how are the other distribution system equipment and facilities classified?

A. Distribution assets that are classified as 100 percent demand-related costs include voltage regulators and capacitors. This equipment is installed on the primary voltage lines and is utilized to maintain circuit voltages within an acceptable operating range during heavy loading conditions. If there was no load current flowing on the energized system, line voltage would not sag, and voltage regulation equipment would not be required. Thus, these devices are classified as demand-related costs.

Distribution assets that are independent of load are classified as 100 percent customer-related costs. These assets include reclosers, sectionalizers, and fused cutouts. The aforementioned equipment is installed on the primary voltage lines and functions together to provide distribution system protection under fault (short circuit) conditions. These devices work in a coordinated fashion to isolate a fault location and maintain a voltage connection to as many customers as possible during the fault event. Without their intended intervention during a fault, line conductors and equipment would be damaged from the fault current flows that occur and many, if not all, customers on the affected circuit could experience a major power outage. The protection equipment functions the same with or without load connected to the energized circuit because it responds to the severe overcurrent situation caused by a fault, which is why these assets are classified as customer-related costs.

In addition, arresters are installed on primary lines to abate damaging overvoltage conditions that occur during electrical storms. These arresters function the same with or without load connected to the circuit, which is why they are classified as customer-related costs.

While cutouts and arresters are utilized for line protection,

they are also applied to provide protection from overcurrent and overvoltage conditions for specific equipment, *e.g.*, each overhead transformer. Cutouts and arresters used for this purpose are classified in the same manner as the assets they protect.

Q. After costs were functionalized and classified, how were they allocated?

A. After determining the functionalization and classification of costs based upon causation principles, the methodologies for cost apportionment to classes were determined by Tampa Electric. The resulting methodologies produce allocation factors, which were then used to apportion the demand, energy, and customer cost responsibilities to the rate classes. The derivation of the allocation factors used in the 2025 COSS are shown in MFR Schedule E-10.

Q. What are the primary considerations when allocating demand costs?

A. The primary considerations in allocating demand costs include (1) customers' demand usage characteristics and their related responsibility for system coincident peaks ("CP") and non-coincident peaks ("NCP"); (2) the design and configuration of

production, transmission, and distribution facilities; and (3) unique customer service or reliability requirements and system operating data. These considerations provide guidance in determining what components should be used to derive the demand allocation factors for each of the functional levels of the power system. Coincident peak demands, non-coincident peak demands, customer peak (maximum) demands, and percentages of energy have been used to best represent those considerations.

Q. Please explain CP, NCP, and customer peak demand.

A. CP demand reflects the contribution to the total system monthly peak demand for each of the rate classes. For example, at the hour of the system peak in a particular month, the CP demand for the residential class would be that class's proportion of that hour's system peak demand.

NCP demand reflects the monthly peak demand of a rate class on its own, regardless of when the system peak occurs. For example, while the system may peak in the late afternoon, a class may peak during a nighttime hour. The class NCP would then be its demand during the nighttime hour.

For each rate class, the customer peak demand is the maximum

aggregation of all individual customers' monthly maximum demands, regardless of when they occur.

Each of these different measures of demand captures the unique load diversity characteristics of customers' usage throughout the power system. To produce a cost-causation based allocation of the cost elements at each functional level of the system, these different measurements of demand are applied objectively in accordance with the load diversity characteristics exhibited at each of those levels. The CP demand reflects a high load diversity, which is prevalent at the generators and the transmission voltage portion of the system. The NCP demand reflects a medium load diversity, which is prevalent at the primary distribution voltage level. The customer peak demand reflects a low load diversity, which is prevalent at the secondary distribution voltage level.

Q. Please describe the company's proposed cost allocation methodology for its demand-related production facilities costs.

A. As agreed upon in the 2021 Agreement, Tampa Electric proposes to use a 4 CP methodology to allocate the demand-related production costs. The proposed 4 CP methodology allocates costs to rate classes based on the rate classes' projected

average contribution to the system peak during the test year period months of January, June, July, and August. The selected months were agreed upon in the 2021 Agreement. The derivation of the 4 CP allocation methodology, alongside the other allocation factors, is in MFR Schedule E-10.

Q. Please describe the company's proposed cost allocation methodology for its demand-related transmission facilities costs.

A. As agreed upon in the 2021 Agreement, Tampa Electric proposes to use a 4 CP methodology to allocate the demand-related transmission costs. The proposed 4 CP methodology allocates costs to rate classes based on the rate classes' projected average contribution to the system peak during the test year period months of January, June, July, and August. The selected months were agreed upon in the 2021 Agreement. The derivation of the 4 CP allocation methodology, alongside the other allocation factors, is in MFR Schedule E-10.

Q. Please explain why Tampa Electric is proposing that its demand-related production and demand-related transmission costs be allocated to rate classes using a 4 CP methodology.

A. First, as I previously mentioned, use of the 4 CP methodology

was a requirement of the 2021 Agreement. Second, the 4 CP methodology is an accepted cost allocation methodology for several reasons. The parties to the 2021 Agreement identified some of these reasons in response to Staff's data requests in Tampa Electric's last base rate case. These included:

(1) The 4 CP methodology reflects cost causation in relation to Tampa Electric's peak demands. Tampa Electric's peaks are primarily a function of energy consumption associated with weather. There is a strong correlation between weather and residential and small commercial energy consumption. When it is hot, those rate classes tend to consume more energy through cooling, and when it is cold, those rate classes tend to consume more energy through heating. Tampa Electric's large commercial and industrial customers tend to be high load factor customers and are not as strongly correlated with weather, so their energy consumption stays fairly consistent throughout the year. Since the residential and small commercial rate classes are highly correlated with weather, they are the rate classes that cause Tampa Electric's peaks, so they are allocated costs based on cost causation.

(2) Tampa Electric's transition away from large, baseload, coal-fired generating units to cleaner generating resources like solar has diminished the importance of shoulder months for operational planning and cost attribution purposes.

(3) The 4 CP methodology can serve as a catalyst for economic

development, as it could make manufacturers and other large employers in Tampa Electric's service area more competitive than competing regions.

Q. Please describe the company's proposed cost allocation methodology for demand-related distribution costs.

A. Tampa Electric proposes to allocate demand-related distribution costs in the same manner as in the company's previous rate proceeding in Docket No. 20210034-EI. This allocation relies on a mixture of rate class NCP and customer maximum demands.

Q. Please provide a summary of Tampa Electric's proposed COSS in this proceeding.

A. In accordance with the 2021 Agreement, Tampa Electric successfully modified its Cost-of-Service Model to:

(1) Use the full MDS classification methodology

(2) Use the 4 CP allocation methodology

(3) Substantially and materially improve the position of all above-parity customer classes toward parity

BASE REVENUE AND SERVICE CHARGES

Q. Did Tampa Electric prepare a forecast of base revenues from

the sale of electricity for 2025? If so, how was the forecast of base revenue derived?

A. Yes. The 2025 base revenue from the sale of electricity forecast for present and proposed rates is summarized in MFR Schedule E-8 and calculated in detail in MFR Schedules E-13c and E-13d. I applied the rates currently in effect to the forecasted billing determinants that I received from Tampa Electric witness Lori Cifuentes to derive projected total annual base revenues for the 2025 test year.

Q. What is the projected retail billed electric revenue for 2025?

A. The projected retail billed electric revenue shown in MFR Schedule E-8 for 2025 is $1,480,725,000 under present rates and $1,774,352,000 under proposed rates, an increase of $293,627,000.

Q. Did Tampa Electric prepare a forecast of service charge revenues? If so, how was the forecast of service charge revenues derived?

A. Yes. The 2025 projected service charge revenues for present and proposed rates are presented in MFR Schedule E-13b. Tampa Electric conducted a Time-and-Motion Study to determine the

costs associated with Service Charges which are presented in MFR Schedule E-7. Tampa Electric is proposing a gradual increase to its current service charges, shown in MFR Schedule E-13b. MFR Schedule E-8 shows an increase of $2,976,000 in service charge-related revenues.

Q. What changes are being proposed to the company's service charges?

A. Tampa Electric is only proposing to change the charge amount for its service charges. The company is not proposing to add or remove any service offerings.

Q. What is the total amount of additional base revenue from the sale of electricity and service charges that are produced by the company's proposed rate design?

A. Including unbilled revenue, MFR Schedule E-8 demonstrates the total increase is $296.611 million, which is equivalent to MFR Schedule A-1.

RATE DESIGN PROPOSED CHANGE

Q. What are good ratemaking practices?

A. James C. Bonbright is one of the most, if not the most,

respected names in utility ratemaking; he is the author of Principles of Public Utility Rates, which laid the foundation for public utility pricing theories, policies, and the economic concepts supporting rate design. Bonbright's principles for rates are summarized as:

Rates should have the attributes of simplicity, understandability, public acceptability, and stability. Rate design should effectively yield the total revenue requirements and the apportionment of costs should be fair to avoid any undue discrimination. Additionally, rate design should promote the efficient use of energy.

Q. Is Tampa Electric proposing to make any changes to its current rate schedule structure?

A. Yes. Tampa Electric proposes changing the company's Time-of-Day periods for each of its optional Time-of-Day rate schedules. Tampa Electric is proposing to add a Super Off-Peak period and to remove the seasonality of its Time-of-Day periods. Tampa Electric proposes changing its Time-of-Day periods from:

Peak Hours:	**April 1 – October 31**	**November 1 – March 31**
(Monday- Friday)	12:00 Noon – 9:00 PM	6:00 AM – 10:00 AM and 6:00 PM – 10:00 PM
Off-Peak Hours:	All other weekday hours, and all hours on Saturdays, Sundays, New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day shall be off-peak.	

to:

Category	**January 1 – December 31**	**Days of the Week**
Super Off-Peak	10:00 AM – 5:00 PM	Monday – Sunday
Off-Peak	12:00 AM – 6:00 AM and 9:00 PM – 12:00 AM	Monday - Friday
Off-Peak	12:00 AM – 10:00 AM and 5:00 PM – 12:00 AM	Saturday – Sunday and Defined Holidays
Peak	6:00 AM – 10:00 AM and 5:00 PM – 9:00 PM	Monday – Friday

Defined Holidays: New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day.

Q. Why is Tampa Electric changing the company's Time-of-Day periods to add a Super Off-Peak period?

A. Tampa Electric has not changed the time periods for the optional Time-of-Day rate schedules since the 1980s. With the company's recent and continued investment in renewable generation assets, Tampa Electric's hourly cost profile has changed. Tampa Electric is proposing this new structure to better align with the company's hourly cost profile.

Q. How did Tampa Electric derive its proposed base rates for its optional Time-of-Day rate schedules?

A. Tampa Electric used a marginal cost methodology to help determine its time periods and the rate differentials. Tampa Electric ensured that the rates were revenue neutral to 2024 base rates. Tampa Electric then applied the rate differentials and scaled the 2024 revenue neutral rates to 2025 requirements based upon the company's projected billing determinants and projected revenue requirement during the test year. This means that the average customer on a Time-of-Day rate schedule would not experience an increase or

decrease to their bill because of the time-period change; the increase to a customer's bill is a function of Tampa Electric's need to increase base rates.

Q. Does the proposed change align with Bonbright's principles for rates?

A. Yes. Tampa Electric recognizes there are seasonal components to its peaks. However, Tampa Electric is proposing to eliminate the seasonal change in its pricing periods to achieve simplicity and understandability. Tampa Electric believes that removing the seasonal time-period change makes it easier for customers to set their operations without the need to alter their operation schedule due to the month of the year. The rate structure change was designed with revenue neutrality in mind, meaning neutral bills should equate to public acceptance and stability. Fairness and cost apportionment are demonstrated in Tampa Electric's COSS. Revenue recovery is demonstrated in MFR Schedule E-13c. Additionally, by design, Time-of-Day rate structures promote the efficient use of energy by incentivizing customers to consume energy at times when it is cost-effective to do so. It also provides customers the opportunity to change their behavior to reduce their bills.

Q. Is Tampa Electric proposing any other changes to the company's rate schedule structure?

A. No.

PROPOSED (TARGET) CLASS REVENUES

Q. Please describe the procedure used to determine what portion of the company's proposed (target) base rate increase was assigned to each rate class.

A. The basis for determining the proposed (target) base rate revenue increase to be assigned to each rate class is the company's proposed COSS, which has been provided under MFR Schedule E Vol II. The first step in the procedure is the determination of the company's revenue deficiency. From there, service charge revenues and other operating revenues are applied to offset the base rate revenue deficiency. The company proposes to collect the remaining balance via base rate increases and is produced out of the company's proposed COSS. As described earlier in my testimony, the proposed COSS assigns and allocates costs to each rate class based on a detailed analysis of cost causation. I then attempted to meet each rate class's targeted class revenue by adjusting the rate schedules' base rates.

Q. Is Tampa Electric proposing any changes to the company's LS-1 base rates?

A. No.

Q. Was Tampa Electric able to design proposed rates for each rate class to produce each class's targeted revenues and reflect the requested increase?

A. Yes. MFR Schedule E-5 summarizes the targeted revenues by rate class. MFR Schedule E-8 reflects that rate setting is consistent with Tampa Electric's revenue deficiency shown in MFR Schedule A-1.

Q. As required by the 2021 Agreement, did Tampa Electric substantially and materially improve the position of all above-parity customer classes toward parity, such that costs are allocated and revenue is collected consistent with 4 CP and full MDS methods?

A. Yes. Tampa Electric's proposed COSS fully implemented MDS and used the agreed upon 4 CP allocation methodology. Additionally, MFR Schedule E-8 demonstrates all above-parity customer classes were substantially and materially moved towards parity.

Q. What is meant by parity?

A. "Parity" is the comparison of the rate of return of a class to the system average rate of return. The term is used interchangeably with the term "rate of return index." Since parity is calculated by dividing the rate of return for a particular class by the system average rate of return, a class with parity of 100 percent would be earning the same rate of return as the system average, and a class with parity below 100 percent would be earning less than the system average. Parity is useful when determining the development of class revenue targets associated with the proposed base rate revenue increase. As reflected in MFR Schedule E-8, each rate class is reasonably close to parity. An index ratio of 1.00 indicates rates are set exactly on the cost of service. A ratio of less than 1.00 indicates that class is served below cost, and a class ratio of more than 1.00 indicates that class is served above cost.

Q. Why is each rate class's parity not equal to 1.00 under the proposed rate designs?

A. Tampa Electric's COSS indicates its Lighting rate classes are earning above the system rate of return and should therefore be entitled to a revenue reduction. The Commission has

previously provided guidance that no class should receive a decrease. To adhere to this guidance, Tampa Electric proposes to keep Lighting's target class revenue flat, which will substantially and materially improve Lighting's parity position. However, without a decrease to Lighting's class revenue, a parity of 1.00 is not achievable at this time. The revenue reduction the COSS indicated for Lighting was spread to other rate classes.

Q. Where can the company's proposed rate design be viewed in greater detail?

A. MFR Schedule E-13a shows proposed base rate increases wholistically. MFR Schedule E-13c shows proposed base rate increases at the granular rate structure and rate schedule level. MFR Schedule E-13d shows proposed lighting facilities base revenue increases at the granular rate code level. MFR Schedule E-13b shows proposed service charges revenue increases.

Q. Where can bill impacts of the proposed base revenue increases be viewed?

A. The typical monthly bill impacts can be viewed in MFR Schedule A-2. The base rate differentials can be viewed in MFR Schedule

A-3.

Q. How do Tampa Electric's proposed rates impact the typical residential bill?

A. MFR Schedule A-2 reflects the proposed increase, assuming the clause and mechanism rates in effect on January 1, 2024, to the typical 1,000 kWh residential bill. The proposed increase is 12.2 percent. However, referring to the FPSC's March 2024 data comparing typical bills, Tampa Electric would still have the 2nd lowest typical residential bill amongst the Investor-Owned Utilities ("IOU") in Florida and our 2025 typical residential bill will be slightly lower than in 2023.

Florida Investor-Owned Electric Utilities Total Cost for 1,000 Kilowatt Hours - Residential Service

March 2024

	Florida Power & Light Co.	Florida Power & Light Company (former Gulf Power)	Duke Energy Florida [1]	Tampa Electric Company [2]	Florida Public Utilities Company
Base Rate Charges	$80.72	$80.72	$83.91	$107.01	$40.68
Fuel and Purchased Power Cost Recovery Clause	$34.19	$34.19	$49.47	$35.36	$102.59
Energy Conservation Cost Recovery Clause	$1.24	$1.24	$3.30	$2.15	$1.44
Environmental Cost Recovery Clause	$3.32	$3.32	$0.46	$0.89	N/A
Capacity Cost Recovery Clause	$1.70	$1.70	$9.46	$0.62	N/A
Storm Damage Cost Surcharge	$6.65	$6.65	$5.09	$0.00	$12.80
Storm Protection Plan Cost Recovery	$5.57	$5.57	$5.10	$6.58	$4.32
Asset Securitization Charge	N/A	N/A	$2.36	N/A	N/A
Transition Rider/Credit	-$1.19	$12.64	N/A	N/A	N/A
Clean Energy Transition Mechanism	N/A	N/A	N/A	$4.30	N/A
Gross Receipts Tax and Regulatory Assessement Fee	$3.49	$3.86	$4.20	$4.02	$4.15
Total	**$135.69**	**$149.89**	**$163.35**	**$160.93**	**$165.98**

(1) Duke's 2024 base rates for December - February bill is $92.08; for the March - November bill is $81.19. Weighted average: (($92.08x3)+($81.19x9))/12 = $83.91

(2) Proposed 2025 base rates with 2024 clause rates

Q. How do Tampa Electric's proposed rates impact the typical small commercial bill?

A. For a 1,200 kWh typical bill, the proposed increase, assuming the clause and mechanism rates in effect on January 1, 2024, will be $0.23 or 0.1 percent; Tampa Electric's proposed typical small commercial bill will be about 10% lower than in 2023. Below shows a comparison to other IOUs in Florida.

Florida Investor-Owned Electric Utilities Sample Bill Calculations - Commercial and Industrial Service

Effective March 1, 2024

Utility/Rate Class	kW	kWh	Base Rate Charge	Fuel and Purchased Power Charge	Energy Conservation Charge	Environmental Cost Recovery Charge	Capacity Cost Recovery Charge	Storm Cost Restoration Surcharge	Storm Protection Plan Charge	Asset Securitization Charge (DEF)	Transition Rider/Credit (FPL)	Clean Energy Transition Mechanism (TECO)	Gross Receipts Tax and Regulatory Assessment Fee	**Total**
Florida Power & Light (FPL)														
GS-1	-	1,200	$100	$45	$1	$4	$2	$ 7	$6	N/A	($1)	N/A	$4	**$167**
FPL Northwest FL (Formerly Gulf Power)														
GS-1	-	1,200	$100	$45	$1	$4	$2	$7	$0	N/A	$17	N/A	$5	**$180**
Duke Energy Florida (DEF)														
GS-1*	-	1,200	$104	$63	$3	$1	$10	$ 5	$6	$2	N/A	N/A	$5	**$200**
Tampa Electric Company (TECO) [1]														
GS	-	1,200	$120	$46	$2	$1	$1	$ -	$9	N/A	N/A	$5	$5	**$189**
Florida Public Utilities Company (FPUC)														
GS	-	1,200	$63	$128	$2	N/A	N/A	$17	N/A	N/A	N/A	N/A	$5	**$215**

Gross Receipts Tax for FPL and DEF includes Regulatory Assessment Fee. For TECO and FPUC, Regulatory Assessment Fee is included in base rates and clauses.

*Closed to new customers as of 1/1/22

(1) Tampa Electric proposed 2025 rates

CREDITS

Q. Is Tampa Electric proposing to change the company's standby generator credit, commercial demand response credit, or the Contracted Credit Value?

A. No.

MISCELLANEOUS PROPOSED TARIFF CHANGES

Q. Is Tampa Electric proposing to make any miscellaneous tariff changes?

A. Yes. Tampa Electric is proposing to make several changes to its tariff to provide additional clarity and to make it easier for customers to do business with us, when and how they want to.

Q. Why is Tampa Electric proposing to change the company's tariff language regarding general liability?

A. Tampa Electric is proposing to provide greater clarity regarding customer responsibilities and company responsibilities.

Q. Why is Tampa Electric proposing to change the company's tariff language regarding the company's Budget Billing program?

A. Tampa Electric's current Budget Billing program is backward-looking, meaning a participant's monthly payment is based on historical consumption and rates. As a result, the program works well when a participant's consumption and the company's rates remain relatively stable. Changes in consumption or the company's rates, however, can result in high deferred

balances. In recent years, fuel price volatility, storm restoration costs, and base rate adjustments have caused problems for the backward-looking program. In this proceeding, Tampa Electric proposes changes to the Budget Billing program to allow the company to make adjustments to a customer's monthly payment to reflect any known changes in either consumption or rates, such as a change in fuel charges or changes at the customer's premise (*e.g.*, pool installation or electric vehicle installation). The company will perform periodic reviews quarterly. The proposed changes will help smooth out any increases or decreases to the predetermined and company-calculated monthly payment amounts, and thereby enhance bill stability, which is the reason for the program's existence.

Q. Why is Tampa Electric proposing to change the company's tariff language regarding the company's Economic Development Rider?

A. Tampa Electric wants to remain competitive in attracting new business to its service area. The company recognizes, however, that companies are becoming more efficient in their electric consumption and labor usage. As a result, Tampa Electric proposes lowering the kW and labor thresholds for eligibility for the Rider, while providing a dollar investment threshold gives Tampa Electric opportunity to

compete for business for the betterment of the local economy and customers that Tampa Electric serves.

Q. Why is Tampa Electric proposing to change the company's tariff language regarding Contribution in Aid of Construction ("CIAC")?

A. Tampa Electric has historically collected CIAC prior to commencing construction, a practice which protects the general body of rate payers from the risk of nonpayment. In some circumstances, however, it is not practical or possible to collect upfront payment. This is usually the case for governmental customers, who also generally have a lower risk of nonpayment. In fact, requiring governmental customers to pay CIAC upfront can sometimes be harmful. In one instance, a governmental customer had to pay over $15,000 a month to manually pump residential septic systems because the governmental payment processing schedule did not align with Tampa Electric's tariff requirements. In another instance, Tampa Electric almost lost a large governmental Lighting contract because of the need to collect payment upfront, which did not align with the customer's standard way of doing business. To address these and similar situations, Tampa Electric proposes a modification to its tariff that would allow customers to enter into alternative payment

arrangements for Contributions in Aid of Construction. This would make it easier for customers to do business with Tampa Electric.

If this tariff change is approved, the company would put procedures in place to monitor and mitigate risk associated with alternative payment arrangements to the general body of ratepayers. First, the company will establish a four-Director committee to review any requests for alternative payment arrangements, with great emphasis being placed on customers who are able to provide a purchase order. A purchase order mitigates risk because it is a legally binding offer by the Government to buy supplies or services. Second, the company will generate a monthly report monitoring outstanding payments that will be reviewed by the Directors and by assigned team members. These team members will be tasked with ensuring any outstanding Contribution in Aid of Construction payments are collected.

Q. Why is Tampa Electric proposing to change the company's tariff language regarding deposits?

A. Tampa Electric would like the authority to refund deposits back to agencies which may have paid the required deposit for a customer. Under Tampa Electric's current tariff, deposits

are to be refunded to customers. However, there are instances when an agency pays the deposit for a customer. When the customer moves out, the agency would like that money back rather than the deposit being refunded directly to the customer.

Q. Why is Tampa Electric requesting changes to the Bright Choices Outdoor Lighting Agreement?

A. Tampa Electric is requesting to correct a clerical error. The Bright Choices Outdoor Lighting Agreement was intended to be available for LS-1 and LS-2 rate schedules. Tampa Electric is requesting to allow the company to fill in the blank with either "LS-1" or "LS-2", based on the type of assets the customer desires.

Q. Why is Tampa Electric requesting changes to its LS-2 Monthly Rental Factors?

A. Tampa Electric's LS-2 customized lighting tariff opened to customers in 2022. The LS-2 tariff currently requires customers to sign a 20-year agreement. The monthly charge is derived from the In Place Value of the customer specific lighting facilities being multiplied by a monthly rate (or "rental factor"). The current monthly rental factor is

created using the net present value of an asset over a 20-year period, meaning the value of the asset will be recovered through the charge over a 20-year period. Over the last two years of offering LS-2 service, the company has learned that customers are interested in more flexibility regarding the term of the agreement. To address this customer preference, Tampa Electric is proposing to modify the tariff to allow the company and the customer to agree on terms between 1 and 25 years, rather than the current, static 20-year period. The proposed Rental Factor matrix has rental factors from 1 to 25 years. The model's outputs are consistent with how a 20-year fixed charge rate is determined; the monthly rental factor is simply calculated for each other term-year length as well. Increasing the term length range does not create additional risk for the general body of rate payers as the rental factors are designed to recover the costs of the asset over the term length. Tampa Electric's Early Termination Fee further protects the general body of rate payers by charging participating customers for the remaining balance of the asset should they choose to end the agreement early.

Q. Why is Tampa Electric proposing to change its LS-1 wattage variance from +/- ten percent to +/- twenty-five percent?

A. LED technology is continuing to develop, and the manufactured

products continue to become more efficient, reducing the wattage while increasing the lumen output. This rapid development, coupled with lack of standardization, becomes an obstacle when calculating the energy consumption of interchangeable fixtures. Tampa Electric attempted to minimize the impact to customers by incorporating a +/- ten percent variance into the wattage used in calculating the monthly energy consumption of each fixture for billing purposes. This range has proven to be too narrow, which is why Tampa Electric is requesting a +/- twenty-five percent variance.

Q. Why is Tampa Electric proposing to change its tariff language regarding the Standard Offer Contract?

A. Tampa Electric is proposing to align the Standard Offer Contract with its proposed Time of Day periods.

Q. Why is Tampa Electric proposing to change its tariff language regarding Vaults?

A. Tampa Electric is planning to streamline its current process. Tampa Electric's tariff requires a separate vault contract that offers the same protections as the tariff. Tampa Electric believes this to be unnecessary as the tariff is a contract

between the company and its customers. Therefore, Tampa Electric is requesting to do away with a separate vault agreement.

PROPOSED NEW PROGRAM OFFERINGS

Q. Is Tampa Electric proposing any new programs?

A. Yes. Tampa Electric is proposing a senior citizen low-income program ("Senior Care Program").

Q. What is the proposed Senior Care Program?

A. The Senior Care Program is a proposed program that offers a fixed $10 monthly bill credit to Tampa Electric's low-income customers sixty-five and older.

Q. How does someone qualify for the proposed Senior Care Program?

A. To qualify for the proposed Senior Care Program, a Tampa Electric customer of record must provide a copy of their State of Florida Agency of Healthcare Administration's Medicaid Program enrollment letter ("Medicaid Eligibility Letter"), or an alternative form of proof of enrollment acceptable to the company, and proof of their date of birth. Since Medicaid is only open to low-income Florida residents, enrollment in

Medicaid serves as proof of low-income status. Using the Medicaid Eligibility Letter and Medicaid income thresholds as eligibility criteria for the Senior Care Program avoids the need for Tampa Electric to income-qualify customers in-house. Tampa Electric can use its existing Doc Upload system to receive Medicaid enrollment letters and proof of birthdate, if necessary.

Q. Why is the company proposing that a customer must be 65 years old or older to qualify?

A. Tampa Electric needed an accurate metric for the potentially eligible population to forecast the number of potential participants and design the program. U.S. Census Bureau data is available for the percentage of the population in Hillsborough County that is 65 years old or older. Other senior citizen age data was not available; therefore, Tampa Electric is proposing the minimum age requirement be 65 as Tampa Electric is reliant upon available data for projections.

Q. How did Tampa Electric forecast the number of customers who would be eligible for the program?

A. Tampa Electric used the company's test-year projected

residential customers multiplied by the percentage of people in Hillsborough County who receive Medicaid multiplied by the percentage of people in Hillsborough County who are 65 years or older. Tampa Electric used the best available data from FLHealthCharts for Medicaid data and the U.S. Census Bureau for senior citizen data.

Q. How is Tampa Electric proposing to fund the Senior Care Program?

A. Tampa Electric is proposing to fund the program via base rates. MFR Schedule E-13c demonstrates the proposed program funding.

SUMMARY

Q. Please summarize your prepared direct testimony.

A. In line with the cost-of-service goals previously stated, the company successfully modified the COSS model to fully implement MDS and 4 CP, alongside moving all-above parity rate classes substantially and materially closer to parity. This resulted in fair and practical results to support the rate design process.

The support for, and design of, the proposed rates in the

case as presented in the MFRs and proposed tariffs meets the company's primary goals. The proposed rate design aligns with Bonbright's principles for rates.

The proposed changes to Tampa Electric's tariff offer greater clarity and flexibility to customers.

Q. Does this conclude your prepared direct testimony?

A. Yes it does.

TAMPA ELECTRIC COMPANY
DOCKET NO. 20240026-EI
WITNESS: WILLIAMS

EXHIBIT

OF

JORDAN WILLIAMS

Table of Contents

LIST OF MINIMUM FILING REQUIREMENT SCHEDULES

SPONSORED OR CO-SPONSORED BY JORDAN WILLIAMS

MFR Schedule	Title
A-02	Full Revenue Requirements Bill Comparison - Typical Monthly Bills
A-03	Summary Of Tariffs
A-04	Interim Revenue Requirements Increase Requested
A-05	Interim Revenue Requirements Bill Comparison - Typical Monthly Bills
B-01	Adjusted Rate Base
B-02	Rate Base Adjustments
B-06	Jurisdictional Separation Factors-Rate Base
B-13	Construction Work In Progress
B-15	Property Held For Future Use-13 Month Average
B-17	Working Capital-13-Month Average
C-01	Adjusted Jurisdictional Net Operating Income
C-03	Jurisdictional Net Operating Income Adjustments

C-04	Jurisdictional Separation Factors-Net Operating Income
C-05	Operating Revenues Detail
C-12	Administrative Expenses
C-13	Miscellaneous General Expenses
C-14	Advertising Expenses
C-15	Industry Association Dues
C-20	Taxes Other Than Income Taxes
D-01a	Cost Of Capital - 13 Month Average
E-01	Cost Of Service Studies
E-02	Explanation Of Variations From Cost Of Service Study Approved In Company's Last Rate Case
E-03a	Cost Of Service Study-Allocation Of Rate Base Components To Rate Schedule
E-03b	Cost Of Service Study-Allocation Of Expense Components To Rate Schedule
E-04a	Cost Of Service Study-Functionalization And Classification Of Rate Base
E-04b	Cost Of Service Study-Functionalization And Classification Of Expenses

E-05	Source And Amount Of Revenues-At Present And Proposed Rates
E-06a	Cost of Service Study-Unit Costs Present Rates
E-06b	Cost Of Service Study-Unit Costs Proposed Rates
E-07	Development Of Service Charges
E-08	Company-Proposed Allocation Of The Rate Increase By Rate Class
E-09	Cost Of Service-Load Data
E-10	Cost Of Service Study-Development Of Allocation Factors
E-11	Development Of Coincident And Noncoincident Demands For Cost Study
E-12	Adjustment To Test Year Unbilled Revenue
E-13a	Revenue From Sale Of Electricity By Rate Schedule
E-13b	Revenues By Rate Schedule-Service Charges (Account 451)
E-13c	Base Revenue By Rate Schedule-Calculations
E-13d	Revenue By Rate Schedule-Lighting Schedule Calculation

E-14	Proposed Tariff Sheets And Support For Charges-Comparison
E-14 Supplemental A	Comparison Of Rate Changes And Unit Costs At System ROR
E-14 Supplemental B	Dervitation (Calculation & Assumptions) Of Other Charges And Credits
E-15	Projected Billing Determinants-Derivation
F-08	Assumptions