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

July 22, 2024

VIA ELECTRONIC FILING

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

In re: Petition for Rate Increase by Tampa Electric Company	DOCKET NO. 20240026-EI
In re: Petition for approval of 2023 Depreciation and Dismantlement Study, by Tampa Electric Company	DOCKET NO. 20230139-EI
In re: Petition to implement 2024 Generation Base Rate Adjustment provisions in Paragraph 4 of the 2021 Stipulation and Settlement Agreement, by Tampa Electric Company	DOCKET NO. 20230090-EI

Dear Mr. Teitzman:

Attached for filing in the above-referenced docket is Tampa Electric Company's Prehearing Statement.

Thank you for your assistance in connection with this matter.

Sincerely,

J. Jeffry Wahlen

JJW/ne
Enclosure

cc: All parties of record (w/att.)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for Rate Increase by Tampa Electric Company	DOCKET NO. 20240026-EI
In re: Petition for approval of 2023 Depreciation and Dismantlement Study, by Tampa Electric Company	DOCKET NO. 20230139-EI
In re: Petition to implement 2024 Generation Base Rate Adjustment provisions in Paragraph 4 of the 2021 Stipulation and Settlement Agreement, by Tampa Electric Company	DOCKET NO. 20230090-EI
	Filed: July 22, 2024

TAMPA ELECTRIC COMPANY'S
PREHEARING STATEMENT

Pursuant to Order No. PSC-2024-0096-PCO-EI, issued April 16, 2024, Tampa Electric Company ("Tampa Electric," "TEC," or the "company") submits the following prehearing statement:

A. APPEARANCES:

J. JEFFRY WAHLEN
MALCOLM N. MEANS
VIRGINIA L. PONDER
Ausley McMullen
Post Office Box 391
Tallahassee, Florida 32302
On behalf of Tampa Electric Company

B. <u>WITNESSES</u>:

Witness	Subject Matter	Issues
Archie Collins (Direct Only)	Provides an overview of Tampa Electric. Describes successes transforming the company since the last general base rate proceeding in 2021 and previews plans for the future. Explains why the company is seeking base rate increases and the things it has done to moderate the request. Summarizes the rate increase request and highlights how proposed rate increase for 2025 is expected to impact customers' bills. Introduces the other witnesses who filed prepared direct testimony and sponsor minimum filing requirement ("MFR") schedules on behalf of the company.	4, 69
Karen Sparkman (Direct Only)	Describes the company's approach to Customer Experience and details improvements made to better serve Tampa Electric's customers. Summarizes changes in the Customer Experience area since its last rate case. Presents and explains the company's customer service results and outlines the company's plans to enhance the customer experience it provides. Demonstrates that the company's Customer Experience rate base amounts and operations and maintenance levels for the 2025 test year are reasonable and prudent. Discusses the company's programs for low-income customers and proposed miscellaneous tariff changes.	4, 16, 85, 87-89, 92, 115, OPC-1
Carlos Aldazabal (Direct and Rebuttal)	<u>Direct</u>: Describes the company's Energy Supply system. Summarizes successes transforming Energy Supply since the last rate case and outlines future Energy Supply plans. Demonstrates that the Energy Supply rate base amounts and operations and maintenance expense levels for the 2025 test year are reasonable and prudent. Explains the Polk 1 Flexibility, Polk Fuel Diversity, South Tampa Resilience, Bearss Operations Center, and Corporate Headquarters projects, which are included in the proposed 2026 and 2027 subsequent year adjustments ("SYA"), why these projects are prudent, and how they will benefit customers. <u>Rebuttal</u>: Addresses the proposal from the Office of Public Counsel ("OPC") witness Lane Kollen to disallow planned generation maintenance expense based on a normalized number. Responds to the direct testimony of Florida Rising and League of United Latin American Citizens of Florida ("FR/LULAC") witness Rábago and	4, 21-24, 43-45, 97, 99-102, 116, SC-2, SC-5, SC-6, SC-12, SC-13

	his arguments that the Corporate Headquarters, Polk Fuel Diversity, and South Tampa Resilience Projects should be disallowed. Responds to the direct testimony of Sierra Club witness Glick on Big Bend Unit 4 and Polk Unit 1.	
Kris Stryker (Direct and Rebuttal)	Direct: Explains plans to build 488.7 MW of Future Solar Projects and explains plans to build 115 MW of Future Energy Storage Capacity Projects. Provides the projected installed costs for the projects. Explains investigative work for the company's Future Environmental Compliance Project. Describes planned emerging technology R&D projects. Rebuttal: Addresses the recommendations included in the direct testimony of FIPUG witness Ly on the company's proposed solar generation projects. Addresses Sierra Club witness Glick on the potential of Carbon Capture and Sequestration ("Future Environmental Compliance Project") at Tampa Electric's Polk Power Station Unit 1 generating facility.	14, 15, 18, 20, 43, 44, 95, 98, 116, SC-2, SC-5, SC-6, SC-12, SC-13
Jose Aponte (Direct and Rebuttal)	Direct: Discusses plans to add the Polk 1 Flexibility and South Tampa Resilience projects and shows that the Polk 1 Flexibility and South Tampa Resilience projects are cost-effective. Discusses plans for 12 projects to add Future Energy Storage capacity and Future Solar projects. Demonstrates that the Future Energy Storage and Future Solar projects are cost-effective Rebuttal: Addresses assertions by FIPUG witness on the cost-effectiveness analysis related to the Future Solar Projects. Responds to inaccurate conclusions by FR/LULAC witness Rábago on the cost-effectiveness of the South Tampa Resilience Project. Addresses arguments made by Sierra Club witness Glick regarding the conversion of Polk Unit 1 to simple cycle operation. Addresses arguments raised by FIPUG witness Pollock on the operational impact of the company's Future Solar Projects and proposed changes to the company's time of use periods.	18, 20, 22, 24, 95, 97, 98, 101
Chip Whitworth (Direct and Rebuttal)	Direct: Describes the company's Transmission and Distribution ("T&D") system. Describes the changes to the T&D system since the company's last rate case and describes future plans for its T&D system and its grid modernization strategy. Shows that the 2025 T&D construction program and capital budget is reasonable and prudent. Shows that the proposed 2025 level of T&D O&M is reasonable and prudent.	4, 19, 25, 46, 47, 96

	Rebuttal: Addresses the analysis of Tampa Electric's spare power transformer inventory presented by the OPC witnesses Mara and Kollen and explains why OPC's analysis is flawed and should be rejected. Addresses the inaccuracies relating to the company's Storm Protection Plan ("SPP") spending presented in Mara's direct testimony and illustrates why the FPSC should reject his recommendations regarding that spending. Addresses Kollen's recommended reduction in depreciation expense for the company's Feeder Hardening activities.	
David Lukcic (Direct and Rebuttal)	Direct: Describes Operations Technology and Strategy department and Operations Technology ("OT") resources and applications Tampa Electric uses to operate its electric system. Explains progress made in the OT area since the company's last rate case and summarizes the department's plans for the future. Shows that the company's OT capital investments and O&M expense for 2025 are reasonable and prudent. Describes the Grid Reliability and Resilience ("GRR") Project that will be going in service and part of 2026 and 2027 SYA. Rebuttal: Addresses inaccuracies in the direct testimony of OPC witness Mara and explains why the Commission should authorize including the company's GRR Projects and the Grid Communications Project in the proposed SYA. Responds to testimony of FR/LULAC witness Rábago and demonstrates why the Commission should reject his proposal to disallow cost recovery for the GRR Projects.	19, 96
Christopher Heck (Direct Only)	Describes the Information Technology ("IT") department, the IT resources and applications Tampa Electric uses, and the company's cybersecurity strategy. Explains progress in the IT area since 2021 rate case. Demonstrates that the IT rate base amounts and operations and maintenance expense levels for the 2025 test year are reasonable and prudent.	17
Marian Cacciatore (Direct and Rebuttal)	Direct: Provides an overview of the company's Human Resource activities, explains the company's employee compensation system, and demonstrates that Tampa Electric's total compensation costs for the 2025 test year are reasonable. Rebuttal: Addresses criticisms of FR/LULAC witness Rábago and the OPC witness Kollen related to the company's request for recovery of variable incentive	3, 53

	compensation costs for the 2025 test year. Addresses arguments by Kollen regarding recovery of Supplemental Executive Retirement Plan ("SERP") expense.	
Lori Cifuentes (Direct and Rebuttal)	Direct: Describes Tampa Electric's load forecasting process, describes the methodologies and assumptions used for the forecast, presents the load forecast used in Tampa Electric's test year budget that supports its request for a base rate increase, and shows that the forecasts are appropriate and reasonable. Rebuttal: Addresses observations and recommendations made by OPC witness Dismukes related to the company's load forecast.	2, 3, 41, 42, 104
Ned Allis (Direct and Rebuttal)	Direct: Sponsors and explains the company's 2023 Depreciation Study and proposed depreciation rates. Rebuttal: Responds to the testimonies of the OPC witness Kollen and Federal Executive Agencies ("FEA") witness Andrews on depreciation issues.	5-9, 60
Jeff Kopp (Direct and Rebuttal)	Direct: Sponsors and explains the company's Dismantlement Study and supports the reasonableness of the Dismantlement Study costs. Rebuttal: Rebuts the testimony of the OPC witness Kollen regarding Dismantlement Study.	5, 11, 60
Dylan D'Ascendis (Direct and Rebuttal)	Direct: Presents evidence on, and a recommendation regarding, Tampa Electric's return on common equity ("ROE") and capital structure to be used for ratemaking purposes. Rebuttal: Updates the analysis presented in his direct testimony to reflect current data. Responds to the direct testimonies of OPC witness Woolridge, FEA witness Walters, FRF witness Chriss, FIPUG witness Pollock, and FR/LULAC witness Rábago (collectively, the "Opposing ROE Witnesses") concerning the appropriate ROE that the company should be given the opportunity to earn on its jurisdictional electric rate base.	39
John Heisey (Direct and Rebuttal)	Direct: Describes the Asset Optimization Mechanism and explains why it should be continued after the 2021 Agreement expires. Rebuttal: Responds to claims of the FIPUG witness Ly that the net present value benefits that would be achieved by the Future Solar Projects are based upon an inaccurate fuel price forecast.	18, 95, 113
Valerie Strickland (Direct and Rebuttal)	Direct: Describes changes in income tax law since the company's last general base rate proceeding in 2021.	10, 33, 34, 62-66, 106

	Discusses the impact of new renewable tax credits on the company's income tax expense for the 2025 test year. Presents the company's calculation of income tax expense for the 2023 historical and 2025 projected test years. Explains Accumulated Deferred Income Taxes and Investments Tax Credits in the company's projected capital structure; and presents the company's 2025 parent debt adjustment calculation. <u>Rebuttal</u>: Addresses proposals by OPC witness Kollen on the ratemaking treatment of the company's regulatory liability for deferred production tax credits, investment tax credits for energy storage devices, and the company's pre-2022 ITC for solar facilities.	
Jeff Chronister (Original, Chronister II, and Rebuttal)	<u>Original Direct</u>: Explains how the company's financial profile has changed from its last rate case and discusses the importance of Tampa Electric's financial integrity and credit ratings. Presents the company's proposed capital structure and weighted average cost of capital for the 2025 test year. Describes the company's projected financial condition for 2026 and 2027 and regulatory options for those years including the company's request for SYA. Explains why the Commission should approve the company's proposed 54 percent equity ratio (investor sources) as part capital structure discussion. <u>Chronister II Direct</u>: Describes and justifies 2025 test year; explains 2025 budget and its development; presents proposed 2025 rate base, net operating income ("NOI"), and revenue requirement increase; explains how the company accounts for affiliated transactions; and presents the revenue requirement calculations for the company's proposed 2026 and 2027 SYA. <u>Rebuttal</u>: Addresses each of the NOI, rate base, capital structure and rate of return, Clean Energy Transition Mechanism ("CETM"), and SYA adjustments, as well as the tax reform proposal recommendation, discussed in the testimony of OPC witness Kollen. Addresses the issues raised about affiliate transactions and allocations in the testimony of OPC witness Ostrander. Addresses the equity ratio proposal reflected in the testimony of FEA witness Walters. Addresses three other issues raised by other intervenor and FPSC staff witnesses. Responds to intervenor testimony on affordability by summarizing some of the actions the company takes to	1, 3, 5, 6, 10-13, 25-38, 40-69, 94-107, 109, 111, 112, 117, 119, SC-2, SC-5, SC-6, OPC-3

	promote the long-term cost-effectiveness and affordability of its electric service.	
Ashley Sizemore (Direct Only)	Describes the Clean Energy Transition Mechanism ("CETM") and explains what has happened with the CETM since 2022. Discusses Tampa Electric's proposed CETM factors to be effective January 1, 2025. Discusses Tampa Electric's performance under the Florida Energy Efficiency and Conservation Act.	114, 118
Jordan Williams (Direct and Rebuttal)	<u>Direct</u>: Presents and explains the company's filed cost of service studies and proposed base rates and service charges. Explains proposed miscellaneous tariff changes and the proposed Senior Care program. <u>Rebuttal</u>: Responds to the direct testimony of FIPUG witness Pollock, and his recommendations regarding: (1) cost allocation for the company's production tax credits, Polk Unit 1 gasifier, and Big Bend scrubbers; (2) his proposed class revenue allocation; (3) the company's proposal to eliminate seasonal rates; and (4) the company's Super Off Peak Time-of-Day rate. Comments on proposals in the direct testimony of FEA witness Gorman to increase the demand charge and decrease the energy charge for customers on the company's GSLDTPR rate schedule. Addresses misconceptions and mischaracterizations regarding Tampa Electric's residential rates and bills contained in the direct testimony of FR/LULAC witness Marcelin. Responds to the direct testimony of FR/LULAC witness Rábago, including (1) his assertion that the company's initial service connection charge is too high; and (2) his comments on Tampa Electric's residential rates and bills.	2, 41, 42, 70-93, 108-110, 115, 117, OPC-1, OPC-2

C. EXHIBITS:

Witness	Proffered By	Exhibit No.	Description	Issues
Archie Collins	TEC	AC-1	1. List of Tampa Electric Witnesses and Purpose of their Direct Testimony 2. List of Minimum Filing Requirement Schedules Sponsored by Archie Collins 3. List of Minimum Filing Requirement Schedules Witness Assignments	4, 69
Karen Sparkman	TEC	KKS-1	1. List of Minimum Filing Requirement Schedules Sponsored or Co-Sponsored By Karen Sparkman 2. Tampa Electric JDP Study Highlights – Residential 3. Tampa Electric JDP Study Highlights – Business 4. Customer Contact Center Metrics 5. Statistics on Commission Escalated Calls 6. Customer Experience Capital Expense Summary 2022 - 2025	4, 16, 85, 87, 88, 89, 92, 115, OPC-1
Carlos Aldazabal	TEC	CA-1	1. List of Minimum Filing Requirement Schedules Sponsored or Co-Sponsored by Carlos Aldazabal 2. Generation Mix 3. Total System Heat Rate (2013-2023) 4. Total CO_2 Emissions (2013-2023) 5. System Heat Rate and Fuel Savings 6. Total System Net EAF Percentage 7. Solar Projects 2021-2023 8. Headquarters Evaluation Scorecard 9. Headquarters Evaluation 10. Energy Supply Capital Expense Summary 2022-2025	4, 21-24, 43-45, 97, 99-102, 116, SC-2, SC-5, SC-6, SC-12, SC-13
Carlos Aldazabal	TEC	CA-2	1. Tampa Electric's Answer to OPC's First Set of Interrogatories, No. 37 2. 2022 Fuel Savings Associated with Using Coal	4, 21-24, 43-45, 97, 99-102, 116, SC-2, SC-5, SC-6, SC-12, SC-13
Kris Stryker	TEC	KS-1	1. List of Minimum Filing Requirement Schedules Sponsored or Co-Sponsored by Kris Stryker	14, 15, 18, 20, 43, 44, 95, 98,

			2. English Creek Solar Project Specifications and Projected Costs 3. Bullfrog Creek Solar Project Specifications and Projected Costs 4. Duette Solar Project Specifications and Projected Costs 5. Cottonmouth Solar Project Specifications and Projected Costs 6. Big Four Solar Project Specifications and Projected Costs 7. Farmland Solar Project Specifications and Projected Costs 8. Brewster Solar Project Specifications and Projected Costs 9. Wimauma 3 Solar Project Specifications and Projected Costs 10. Dover Energy Storage Capacity Project Specifications and Projected Costs 11. Lake Mabel Energy Storage Capacity Project Specifications and Projected Costs 12. Wimauma Energy Storage Capacity Project Specifications and Projected Costs 13. South Tampa Energy Storage Capacity Project Specifications and Projected Costs 14. Clean Energy Capital Expense Summary 2022-2025	116, SC-2, SC-5, SC-6, SC-12, SC-13
Kris Stryker	TEC	KS-2	1. NREL: Best Practices Handbook for the Collection and Use of Solar Resource Data for Solar Energy Applications: Second Edition	18
Jose Aponte	TEC	JA-1	1. Demand and Energy Forecast 2. Fuel Price Forecast 3. Future Project Costs Per kWac 4. Polk 1 Flexibility Project Cost-Effectiveness Test 5. South Tampa Resilience Project Cost-Effectiveness Test 6. Total Energy Storage Capacity Cost-Effectiveness Test 7. Dover Energy Storage Capacity Cost-Effectiveness Test 8. Lake Mabel Energy Storage Capacity Cost-Effectiveness Test 9. Wimauma Energy Storage Capacity Cost-Effectiveness Test	18, 20, 22, 24, 95, 97, 98, 101

			10. South Tampa Energy Storage Capacity Cost-Effectiveness Test 11. Total Future Solar Cost-Effectiveness Test 12. Future Solar (2024 Projects) Cost-Effectiveness Test 13. Future Solar (2025 Projects) Cost-Effectiveness Test 14. Future Solar (2026 Projects) Cost-Effectiveness Test 15. English Creek Solar Cost-Effectiveness Test 16. Bullfrog Creek Solar Cost-Effectiveness Test 17. Duette Solar Cost-Effectiveness Test 18. Cottonmouth Solar Cost-Effectiveness Test 19. Big Four Solar Cost-Effectiveness Test 20. Farmland Solar Cost-Effectiveness Test 21. Brewster Solar Cost-Effectiveness Test 22. Wimauma 3 Solar Cost-Effectiveness Test	
Jose Aponte	TEC	JA-2	1. Low Fuel Forecast Solar Cost-Effectiveness Test 2. High Fuel Forecast Solar Cost-Effectiveness Test 3. Solar Cost-Effectiveness Test Capacity Factor Sensitivity	18, 20, 22, 24, 95, 97, 98, 101
Chip Whitworth	TEC	CW-1	1. List of Minimum Filing Requirement Schedules Sponsored or Co-Sponsored by Chip Whitworth 2. FPSC Adjusted Reliability Trends 3. Service Area Customer Demand – Growth 4. Electric Delivery Capital Expense Summary 2022-2025 5. DOE ICE Calculator Results 6. Line Loss Reduction 7. Grid Reliability and Resilience Project Schedule 8. Service Territory Map	4, 19, 25, 46, 47, 96
Chip Whitworth	TEC	CW-2	1. Historical Transformer Failures 2. Historical Transformer Purchases 3. Order No. PSC-2020-0224-AS-EI	25
David Lukcic	TEC	DL-1	1. List of Minimum Filing Requirement Schedules Sponsored or Co-Sponsored by David Lukcic	19, 96

			2. Operation Technology Capital Expense Summary 2022-2025	
Christopher Heck	TEC	CH-1	1. List of Minimum Filing Requirement Schedules Sponsored or Co-Sponsored by Chris Heck 2. Information Technology Capital Expense Summary 2022-2025	17
Marian Cacciatore	TEC	MC-1	1. List of Minimum Filing Requirement Schedules Sponsored or Co-Sponsored by Marian Cacciatore 2. Employee Count Total by Function (2021-2025) 3. IBEW and OPEIU Historical Base Wage Adjustments (2021-2023) 4. Total Annual Compensation Analysis for Exempt and Non-Covered/Non-Exempt Benchmarked Positions (2022-2023) 5. Merit Budget History – Exempt (2021-2023) 6. Merit Budget History – Non-Covered/Non-Exempt (2021-2023) 7. Utility Comparison – Total Salaries and Wages as a Percent of Operations and Maintenance Expense (2023) 8. Tampa Electric Benefits Package Description 9. 2023 Benefits Valuation Analysis (“BVA”) 10. Mercer – Average Annual Health Benefits Cost Per Employee (2021-2023)	3, 53
Lori Cifuentes	TEC	LC-1	1. List of Minimum Filing Requirement Schedules Sponsored or Co-Sponsored by Lori Cifuentes 2. Comparison of 2021 Forecast Versus Current Forecasts of Customer Growth and Energy Sales 3. Economic Assumptions Average Annual Growth Rate 4. Billing Cycle Based Degree Days 5. Customer Forecast 6. Per-Customer Energy Consumption 7. Retail Energy Sales 8. Per-Customer Peak Demand 9. Peak Demand 10. Firm Peak Demand	2, 3, 41, 42, 104

			11. Firm Peak Load Factor	
Lori Cifuentes	TEC	LC-2	1. Detailed Calculations of Energy Efficiency Out-of-Model Adjustments 2. Detailed Calculations of Electric Vehicle Charging Out-of-Model Adjustments 3. Detailed Calculations of Private Rooftop Solar Out-of-Model Adjustments 4. Florida Utilities 2010-2027 Residential Usage Per-Customer Growth Trends 5. Florida Utilities – Usage Per-Customer Utility Survey 6. Historical Forecast Accuracy 7. Total Retail Energy Sale (June 2023 - May 2024)	2, 3, 41, 42, 104
Ned Allis	TEC	NA-1	1. List of Minimum Filing Requirement Schedules sponsored or co-sponsored by Ned Allis on behalf of Tampa Electric Company 2. 2023 Depreciation Study 3. List of Cases in which Ned Allis Submitted Testimony 4. Summaries of Depreciation Accruals Using Existing and Proposed Depreciation Rates	5-9, 60
Ned Allis	TEC	NA-2	1. Document No. 1 2. Document No. 2 3. Document No. 3	5-9, 60
Jeff Kopp	TEC	JK-1	1. Decommissioning Cost Estimate Study 2. Resume of Jeffrey Kopp 3. List of Proceedings in Which Mr. Kopp Has Submitted Testimony	5, 11, 60
Dylan D'Ascendis	TEC	DWD-1	1. Resume and Testimony Listing of Dylan W. D'Ascendis 2. Summary of Common Equity Cost Rate 3. Financial Profile of Tampa Electric Company and the Utility Proxy Group 4. Application of the Discounted Cash Flow Model 5. Application of the Risk Premium Model 6. Application of the Capital Asset Pricing Model 7. Basis of Selection for the Non-Price Regulated Companies Comparable in Total Risk to the Utility Proxy Group	39

			8. Application of Cost of Common Equity Models to the Non-Price Regulated Proxy Group 9. Derivation of the Flotation Cost Adjustment to the Cost of Common Equity 10. Derivation of the Indicated Size Premium for Tampa Electric Company Relative to the Utility Proxy Group 11. Service Area Maps for Tampa Electric and the Utility Proxy Group 12. National Risk Index of Utility Proxy Group and Tampa Electric Company 13. Comparison of Projected Capital Expenditures Relative to Net Plant 14. Fama and French – Figure 2 15. Referenced Endnotes for the Prepared Direct Testimony of Dylan W. D'Ascendis	
Dylan D'Ascendis	TEC	DWD-2	1. Updated ROE Analysis 2. D'Ascendis Indicated Return Histogram 3. Retention Ratio Regression Analysis 4. Growth Rate Regression Analysis 5. Dr. Woolridge Corrected DCF Results 6. Comparison of Market Return Measures 7. Hypothetical Example: Flotation Cost Recovery 8. Observed Market Returns and Frequency Distributions of Observed Market Returns (1926-2023) 9. Historical Market Returns (2014-2023) 10. Safety Ranking Analysis for Utility Proxy Group and Non-Regulated Proxy Group 11. Walters Indicated Return Histogram 12. Electric Rate Case Common Equity Ratios (2016-2024) 13. Gross Domestic Product by Industry 14. Market-to-Book Ratios, Earnings to Book Ratios and Inflation for S&P Industrial Index and the S&P 500 Composite Index (1947-2023) 15. Walters Corrected Risk Premium Model 16. Walters' Market DCF Exclusions Summary 17. Walters Corrected CAPM	39

			18. Rate Adjustment Clauses Allowed For Electric Proxy Group Companies 19. Referenced Endnotes for the Prepared Direct Testimony of Dylan W. D'Ascendis	
John Heisey	TEC	JH-1	1. Asset Optimization Mechanism Results 2018-2023	18, 95, 113
John Heisey	TEC	JH-2	1. Average Natural Gas Forecast at Henry Hub 2. LNG Export Growth 3. Data Center Growth	18, 95, 113
Valerie Strickland	TEC	VS-1	1. List of Minimum Filing Requirement Schedules Sponsored or Co-Sponsored by Valerie Strickland 2. Calculation of 2025 PTC Revenue Requirement Impact and Proposed Amortization of Deferred PTC Benefit 3. Calculation of IRC Required Deferred Income Tax Adjustment	10, 33, 34, 62-66, 106
Valerie Strickland	TEC	VS-2	1. 3-year life – Battery Storage ITC – 2025 Test Year 2. 3-year life – Battery Storage ITC – SYA 2026 and 2027	62-65
Jeff Chronister	TEC	JC-1	1. List of Minimum Filing Requirement Schedules Sponsored or Co-Sponsored by Jeff Chronister 2. Final Order No. PSC-2021-0423-S-EI Approving 2021 Stipulation Settlement Agreement (without Attachment C – Tariffs)	1, 3, 5, 6, 10-13, 25-38, 40-69, 94-107, 109, 111, 112, 117, 119, SC-2, SC-5, SC-6, OPC-3
Jeff Chronister	TEC	JC-2	1. List of Minimum Filing Requirement Schedules Sponsored or Co-Sponsored by Richard Latta (now Chronister II) 2. 2019 – 2025 Budgeted Versus Actual Jurisdictional Adjusted Rate Base 3. 2022-2025 Total Company Capital Investments 4. 2022-2025 O&M Expense 5. 2026 and 2027 Subsequent Year Adjustment (SYA) Details	1, 3, 5, 6, 10-13, 25-38, 40-69, 94-107, 109, 111, 112, 117, 119, SC-2, SC-5, SC-6, OPC-3
Jeff Chronister	TEC	JC-3	1. Notice of Substitution of Witness 2. Dismantlement Calculations	1, 3, 5, 6, 10-13, 25-

			3. Audit Finding Responses	38, 40-69, 94-107, 109, 111, 112, 117, 119, SC-2, SC-5, SC-6, OPC-3
Ashley Sizemore	TEC	AS-1	1. CETM Schedules for the period 2022 through 2024 2. CETM True Up for 2025 3. CETM Factors for 2025	114, 118
Jordan Williams	TEC	JW-1	1. List of Minimum Filing Requirement Schedules Sponsored or Co-Sponsored By Jordan Williams	2, 41, 42, 70-93 108-110, 115, 117, OPC-1, OPC-2
Jordan Williams	TEC	JW-2	1. TECO_TOD_Workpapers Marginal Energy Costs 2. 2024 Ten Year Site Plan Marginal Energy Costs 3. GSLDTPR Demand Percentage 4. EIA Home Heating Source 5. EIA Whole Home Energy Costs 6. EIA State Data 7. Energy Burden Chart 8. Composite Notice	2, 41, 42, 70-93, 108-110, 115, 117, OPC-1, OPC-2
Jeff Chronister & Jordan Williams	TEC	TEC-1	MFR A Schedules (Executive Summary)	1-120
Various	TEC	TEC-2	MFR B Schedules (Rate Base)	5-32
Various	TEC	TEC-3	MFR C Schedules (NOI)	5-12, 41-67
Jeff Chronister & Jordan Williams	TEC	TEC-4	MFR D Schedules (Cost of Capital)	33-40
Jordan Williams, Lori Cifuentes, &	TEC	TEC-5	MFR E Schedules: Cost of Service and Rate Design	70-93

Jeff Chronister				
Jordan Williams	TEC	TEC-6	MFR E Schedules: Cost of Service Study [Vol I of IV] and Jurisdictional Separation	70-93
Jordan Williams	TEC	TEC-7	MFR E Schedules: Cost of Service Study [Vol II of IV]	70-93
Jordan Williams	TEC	TEC-8	MFR E Schedules: Cost of Service Study [Vol III of IV] 12 CP and 1/13th AD	70-93
Jordan Williams	TEC	TEC-9	MFR E Schedules: Lighting Incremental Cost Study [Vol IV of IV]	70-93
Jeff Chronister	TEC	TEC-10	MFR F Schedules: Miscellaneous [Vol I of III]	1-120
Jeff Chronister	TEC	TEC-11	MFR F Schedules: Miscellaneous [Vol II of III]	1-120
Various	TEC	TEC-12	MFR F Schedules: Miscellaneous [Vol III of III]	1-120
Jordan Williams	TEC	TEC-13	2026 and 2027 Subsequent Year Adjustment Rate Design	108-110

D. STATEMENT OF BASIC POSITION

These consolidated dockets address three petitions filed by Tampa Electric: (1) a petition for approval of 2023 depreciation and dismantlement study [Docket No. 20230139-EI]; (2) a petition to implement 2024 generation base rate adjustment provisions in paragraph 4 of the 2021 stipulation and settlement agreement [Docket No. 20230090-EI]; and (3) a Petition for Rate Increase [Docket No. 20240026-EI]. These dockets were consolidated by the Order Establishing Procedure, Order No. PSC-2024-0096-PCO-EI, issued April 16, 2024 ("OEP").

Introduction

Tampa Electric is committed to being a trusted energy partner for its customers now and in the future. It focuses on carefully and prudently managing its operating expenses and capital spending to ensure that it meets the growing and changing energy needs in its service territory. Along the way, the company works diligently and thoughtfully to continuously improve the safety, reliability, and resilience of its electric system, improve efficiency in all areas of its operations – especially the generating efficiency of its existing power plants – and to ensure that it can continue serving customers at all times regardless of weather conditions.

The impacts of inflation, higher interest rates, increased insurance premiums, customer growth, and the investments the company is making to improve its efficiency, reliability, and resilience have impacted the operations of the company. Accordingly, the company seeks a $293,634,910 annual increase in its general base rates and a $2,976,175 annual increase to its service charges for a total annual increase to its base rates and charges of $296,611,085 (Issue 69) to be effective with the first billing cycle of January 2025, plus incremental Subsequent Year

Adjustments ("SYA") of $100,074,841 and $71,847,925(Issue 107) to become effective with the first billing cycles in January 2026 and 2027, respectively.

Safety, Reliability, and Customer Service

Tampa Electric's solid record of safety, reliability and customer service is not in dispute. Tampa Electric's reportable OSHA incidents declined from 24 in 2019 to a low of 17 in 2023. Its OSHA incident rate declined from 1.02 in 2019 to a low of 0.70 in 2023. The company scored better than industry average for all six J.D. Power measures of customer satisfaction in 2023, and its FPSC complaint record and service hearings do not reveal systemic service problems. The company improved its system heat rate by 20 percent from 2017 to 2023, and during that same time period, reduced outage frequency and durations by 21 percent and 22 percent, respectively. The company's "flickers" were 30 percent less frequent and it provides 99.98 percent service reliability.

Issues

The Parties have identified over 120 issues in this case and divided them into 10 categories, all of which are important and seven of which are highlighted below.

1. Depreciation and Dismantlement (Issues 5 through 12)

Consistent with its 2021 Agreement, the company filed a depreciation and dismantlement study on December 27, 2023. Based on this study and its projected plant balances, the company seeks recovery of approximately $531.4 million of depreciation and amortization expense for its projected 2025 test year. The primary issues in this area include the company's proposed book depreciation lives for combined cycle generating assets, solar facilities and energy storage devices. The company's proposed lives for these asset categories (35, 30, and 10 years, respectively) are reasonable and should not be lengthened as proposed by OPC and FEA. The company's proposed net salvage percentages are reasonable and should not be reduced as proposed by FEA. The company's proposed annual dismantlement expense accrual was calculated in accordance with Rule 25-6.04364, F.A.C., and properly considers escalation of costs, environmental remediation costs, and contingencies.

2. 2025 Rate Base (Issues 13 through 32)

The primary issues in this area include the company's proposed addition of 488.7 MW of Future Solar projects (Issue 18), Grid Reliability and Resilience projects (Issue 19), 115 MW of Energy Storage Capacity projects (Issue 20), a new corporate headquarters building (Issue 21), the South Tampa Resilience project (Issue 22), and the Polk 1 Flexibility project (Issue 24). These projects are cost-effective; are based on analyses of available options; promote efficiency, reliability, and resilience of the company's system; provide other benefits such as fuel savings, fuel diversity, and better customer service; are prudent; and should be approved.

The company's proposed Future Environmental Compliance project, which assesses the viability of underground carbon storage at Polk Power Station (Issue 14), is a prudent step to protect the long-term viability of gas-fired generation at Polk and to evaluate whether the company can and should invest in carbon capture technology for Polk Unit 2.

The Sierra Club's proposals to force early retirement of petcoke and coal generation assets at Polk Unit 1 and Big Bend Unit 4, respectively, are discussed in the "Other" issues and should be rejected because the assets provide needed operating flexibility and fuel diversity. These and other reasons are explained in Issues 43, 44, and 116 (and contested Issues SC-2, SC-5, SC-6, SC-12, and SC-13).

3. <u>2025 Cost of Capital (Issues 33 through 40)</u>

The two contested issues in this area are equity ratio (Issue 38) and Return on Equity ("ROE") (Issue 39). Tampa Electric urges the Commission to approve the company's proposed midpoint ROE of 11.5 percent, an authorized range of allowed ROE of plus or minus 100 basis points, and its currently approved equity ratio of 54 percent (investor sources). The intervenor recommendations for a midpoint ROE of 9.5 percent are too low. FEA's proposed 52 percent equity ratio is not adequate to preserve the company's financial integrity and a reduction to 52 percent from the company's long-standing 54 percent equity ratio would be viewed as credit-negative by credit rating agencies.

4. <u>2025 Net Operating Income (Issues 41 through 67)</u>

The major issues in this area include the level of generation O&M expense (Issue 45), the recovery of the company's STIP, LTIP, and SERP as part of total salaries and benefits expense (Issue 53), adjustments for affiliate transactions (Issue 55), the period for amortizing the regulatory liability associated with 2022 to 2024 solar production tax credits ("PTC") (Issue 64). Other contested issues include whether to (a) adjust the company's projected 2025 operating revenues (Issue 41), (b) disallow O&M expenses associated with coal assets at Polk Unit 1 and Big Bend Unit 4 (Issues 43 and 44), and (c) disallow a portion of the company's directors and officers insurance expense (Issue 56). Issue 65 on the amortization of ITCs includes OPC's proposal to reject normalization of ITC for energy storage devices and amortize those ITCs over three years, but otherwise is largely a fall out issue based on the lives approved for solar facilities and energy storage devices in Issue 7. The Commission should approve the company's proposals and reject the intervenor proposals for the reasons explained under each issue.

5. <u>2025 Cost of Service and Rates (Issues 70 through 93)</u>

The major issues in this area revolve around the cost of service methodology to be used to allocate production (Issue 71), transmission (Issue 72), and distribution (Issue 73) to rate classes. The company filed cost of service studies for production and transmission costs using a 4CP methodology and distribution costs using a full MDS approach as required by the 2021 Agreement. The company also presented a 12 CP and $1/13^{th}$ AD method study for production as required by the Commission's MFR rule. Although the company supports the cost of service methodologies as required by the 2021 Agreement, how to allocate production, transmission, and distribution costs to rate classes are issues to be decided by the Commission. In any event, the Big Bend Unit 4 scrubber and Polk 1 gasifier should continue to be allocated on an energy basis (not demand as advocated by FIPUG) (Issue 71). The Commission should approve the company's proposed tariff and program changes.

6. <u>2026 and 2027 SYA (Issues 94 through 110)</u>

Some of the company's proposed rate base additions in this case will be placed in service in 2025 but will not be in service for the entire year, so the company's 2025 proposed revenue increase (Issue 69) does not reflect the full annual revenue requirement for those projects.

Other proposed rate base additions will go into service in 2026 and are not included in the company's 2025 proposed revenue increase (Issue 69) at all; 2027 will be the first year that these additions will be in service for a full year.

The company's proposed 2026 SYA is designed to recover the portion of the annual revenue requirement for the additions going into service in 2025 not included in the company's proposed 2025 revenue increase (Issue 69) and the revenue requirement for additions going into service for the first time (but not a full year) in 2026.

The company's proposed 2027 SYA is designed to recover the portion of the annual revenue requirement for the additions going into service in 2026 for the first time that is not included in the company's proposed 2026 SYA.

The projects included in the company's proposed SYA are major projects, their costs are reasonable and prudent, placing them in service will have a material impact on the company's ability to earn within its authorized range of returns, and including them in the proposed SYA will mitigate the company's need for successive general rate increases; therefore, they should be approved. There is nothing in Section 366.076, Florida Statutes, that limits SYA to cost recovery for generation projects, thus OPC's proposal to disallow the GRR Projects (Issue 96) should be rejected.

The calculation of the company's proposed 2026 and 2027 SYA should be updated to reflect the overall rate of return approved in Issue 40 (Issue 103) and the deprecation lives and ITC amortization periods approved for the 2025 test year (Issue 108). The Commission should also approve the company's positions on not imputing incremental revenue (Issue 104), including incremental O&M expenses (Issue 105), rate design and development (Issues 108 and 110), and effective date (Issue 109).

7. <u>Other (Issues 111 to 120)</u>

The Commission should approve the company's proposal for a corporate tax change provision (Issue 111), storm cost recovery provision (Issue 112), asset optimism mechanism (Issue 113), updated CETM factors (Issue 114), Senior Care program (Issue 115) and other administrative matters (Issues 117, 119, 120). The Commission should reject Sierra Club's proposals for future studies and actions for the company's coal assets at Polk Unit 1 and Big Bend Unit 4 (Issue 116). The company's energy conservation performance under FEECA is outstanding and should be considered by the Commission when setting rates in this case (Issue 118).

E. STATEMENT OF ISSUES AND POSITIONS

2025 TEST PERIOD AND FORECASTING

ISSUE 1: Is TECO's projected test period for the twelve months ending December 31, 2025, appropriate?

TEC: Yes. Tampa Electric's proposed test period of the twelve months ending December 31, 2025 is appropriate for use as a test year because (1) 2025 is the first year the company's proposed rates are proposed to be in effect and (2) the company's financial budget for that period is representative of Tampa Electric's projected revenues and costs of service, capital structure, and rate base needed to provide safe, reliable and cost-effective electric service to its customers. (Chronister)

ISSUE 2: Are TECO's forecasts of customers, KWH, and KW by revenue and rate class, appropriate?

TEC: Yes. The company's customer, demand, and energy forecast for 2025 was based on assumptions developed by industry experts that were the most recent assumptions available at the time the forecasts were prepared. The company used theoretically and statistically sound forecasting methods previously reviewed and approved by the Commission. The company's use of "out of model" adjustments for changes in energy efficiency, electric vehicle charging, and private rooftop solar is reasonable and appropriate. OPC's proposed base revenue adjustments for 2025, 2026, and 2027 rely on a methodology that overlooks key facts, has severe shortcomings, is inaccurate, and therefore should be rejected. (Cifuentes, Williams)

ISSUE 3: What are the inflation, customer growth, and other trend factors that should be approved for use in forecasting the test year budget?

TEC: The company's 2025 forecast was prepared using a 2.1 percent inflation rate, a 1.7 percent increase in customer growth, a 3.75 percent increase for non-union labor, and a 3.5 percent increase for union labor. These factors are reasonable and should be approved. (Cifuentes, Chronister, Cacciatore)

QUALITY OF SERVICE

ISSUE 4: Is the quality of electric service provided by TECO adequate?

TEC: Yes. Tampa Electric provides excellent customer service. The company scored better than industry average for all six J.D. Power measures of customer satisfaction in 2023. Its FPSC complaint record and service hearings do not reveal systemic service problems. The company improved its system heat rate by 20 percent from 2017 to 2023. Since 2017, Tampa Electric reduced the frequency of power outages by 21 percent and shortened the duration of those outages by 22 percent. It's "flickers" were 30 percent less frequent and it provides 99.98 percent service reliability. (Sparkman, Aldazabal, Whitworth, Collins)

DEPRECIATION AND DISMANTLEMENT STUDY

ISSUE 5: Should currently prescribed depreciation rates and provision for dismantlement of TECO be revised?

TEC: Yes. The 2023 Depreciation Study filed by Tampa Electric on December 27, 2023 shows that the company's currently prescribed depreciation rates and provision for dismantlement should be revised. (Allis, Kopp, Chronister)

ISSUE 6: What should be the implementation date for new depreciation rates and the provision for dismantlement?

TEC: January 1, 2025. This effective date matches the proposed effective date of the company's proposed new 2025 customer rates. (Chronister, Allis)

ISSUE 7: What depreciation parameters and resulting depreciation rates for each depreciable plant account should be approved?

TEC: The Commission should approve the parameters and depreciation rates for plant accounts as specified in Document 4 of Exhibit NA-1. The Commission should reject intervenor proposals and approve 35, 30, and 10 year lives for combined cycle, solar, and energy storage, respectively. The Commission should also reject FEA's proposed interim survivor curves, its proposed survivor curve for account 367, and its net salvage estimates. (Allis)

ISSUE 8: Based on the application of the depreciation parameters and resulting depreciation rates that the Commission approves, and a comparison of the theoretical reserves to the book reserves, what are the resulting imbalances?

TEC: As of December 31, 2024, the company's book reserve is approximately $167 million lower than the theoretical reserve shown in the 2023 Depreciation Study, so the reserve imbalance is approximately negative $167 million. (Allis)

ISSUE 9: What, if any, corrective reserve measures should be taken with respect to the imbalances identified in Issue 8?

TEC: The theoretical reserve balance identified in Issue 8 should be addressed through remaining life depreciation rates. There is no need for reserve balance transfers. (Allis)

ISSUE 10: Should the current amortization of investment tax credits (ITCs) and flow back of excess deferred income taxes (EDITs) be revised to reflect the approved depreciation rates?

TEC: Yes. (Chronister, Strickland)

ISSUE 11: What annual accrual for dismantlement should be approved?

TEC: $17,442,392 effective January 1, 2025. This amount was calculated in accordance with Rule 25-6.04364, F.A.C., and properly considers escalation of costs, environmental remediation costs, and contingencies. (Chronister, Kopp)

ISSUE 12: What, if any, corrective dismantlement reserve measures should be approved?

TEC: None. (Chronister)

2025 RATE BASE

ISSUE 13: Has TECO made the appropriate adjustments to remove all non-utility activities from Plant in Service, Accumulated Depreciation, and Working Capital in the 2025 projected test year? What, if any, adjustments should be made?

TEC: Yes. (Chronister)

ISSUE 14: Should TECO's proposed Future Environmental Compliance Project be included in the 2025 projected test year? What, if any, adjustments should be made?

TEC: Yes. The company's Future Environmental Compliance Project at Polk Power Station ("Polk") involves a detailed geological feasibility assessment of carbon storage at Polk. Since the future of environmental regulations for carbon is uncertain, the project is a prudent step to protect the long-term viability of gas-fired generation at Polk at a significantly reduced cost to customers. The total cost of the project is estimated to be $126.5 million, of which $98.4 million will be paid for by a grant from the United States Department of Energy, leaving only $28.1 million to be paid by Tampa Electric and $18.2 million of which the company proposes to be recovered through customer rates in this case. (Stryker)

ISSUE 15: Should TECO's proposed Research and Development Projects be included in the 2025 projected test year? What, if any, adjustments should be made?

TEC: Yes. The company is exploring a long duration energy storage project and a microgrid project, both of which will likely be used in the future. The approximately $7.1 million of costs associated with these projects are prudent because they will help the company better understand their possibilities and limitations before it is necessary to implement them on a larger scale; therefore, they should be included in test year rate base. (Stryker)

ISSUE 16: Should TECO's proposed Customer Experience Enhancement Projects be included in the 2025 projected test year? What, if any, adjustments should be made?

TEC: Yes. The company's proposed Customer Digitization, Operational Efficiency, and Other Customer Programs are prudent and should be included in test year rate base. They will improve customer access to services, information, and support; allow the company to proactively present energy management solutions to customers; and give customers more choice and flexibility in how they use electric services. (Sparkman)

ISSUE 17: Should TECO's proposed Information Technology Capital Projects be included in the 2025 projected test year? What, if any, adjustments should be made?

TEC: Yes. The company's proposed expenditures for IT capital projects are prudent and should be included in test year rate base. They will help create a modern, cloud-based IT Service platform, replace/upgrade end of life data center hardware and software, enhance cybersecurity, comply with NERC/CIP requirements, maintain the company's Enterprise Resource Planning and Customer Systems platform, and improve other IT applications. (Heck)

ISSUE 18: Should TECO's proposed Solar Projects be included in the 2025 projected test year? What, if any, adjustments should be made?

TEC: Yes. The company's 488.7 MW of Future Solar Projects are prudent and should be included in test year rate base. The projects will reduce customer exposure to volatile fuel prices, provide fuel diversity, and be built at the lowest reasonable cost. They are cost-effective additions to the company's generating fleet that will moderate fuel costs to customers. The company's cost-effectiveness analyses for Future Solar are based on a reasonable fuel forecast, include reasonable sensitivities, and show that the proposed solar additions will benefit customers. (Stryker, Aponte, Heisey)

ISSUE 19: Should TECO's proposed Grid Reliability and Resilience Projects be included in the 2025 projected test year? What, if any, adjustments should be made?

TEC: Yes. The proposed GRR projects are prudent and should be included in test year rate base. Adding a dedicated grid communication network, intelligent field devices, and associated back-office control systems will enhance reliability by reducing the frequency, duration, and impact of outages; improve operational performance by enabling "self-healing" features to mitigate adverse grid events; provide more and better data for billing and planning purposes; and facilitate the addition of more customer-owned, distributed generation on the company's system. (Lukcic, Whitworth)

ISSUE 20: Should TECO's proposed Energy Storage projects be included in the 2025 projected test year? What, if any, adjustments should be made?

TEC: Yes. The company's 115 MW of Future Energy Storage Capacity projects are prudent and should be included in test year rate base. They are cost-effective plant additions needed to maintain the company's required winter capacity reserve margin and to avoid the costs of certain transmission upgrades. (Stryker, Aponte)

ISSUE 21: Should TECO's proposed Corporate Headquarters project be included in the 2025 projected test year? What, if any, adjustments should be made?

TEC: Yes. The company's new corporate headquarters project is supported by a detailed analysis of the costs and benefits of alternative space options, is prudent. and should be included in test year rate base. The company is moving from its current location in downtown Tampa ("TECO Plaza") to the mid-town Tampa area because its current lease is expiring and the net present value revenue requirement ("NPVRR") of moving to the new building was about the same as other options. The new building location is not subject to flooding, has better parking, is safer for employees and the public, and has space to grow that is not available in TECO Plaza. (Aldazabal)

ISSUE 22: Should TECO's proposed South Tampa Resilience project be included in the 2025 projected test year? What, if any, adjustments should be made?

TEC: Yes. The South Tampa Resilience Project ("STRP") consists of four reciprocating internal combustion engines located on land leased at no cost to Tampa Electric from MacDill Air Force Base and is prudent. The STRP will be a system asset that serves all customers during normal operations, provides quick start capability to enhance the flexibility and resilience of the company's generating fleet, supports the company's winter reserve margin, is cost-effective, and is expected to generate fuel savings of $137.9 million for the company's general body of ratepayers. The generators will only be isolated to serve MacDill during rare national emergencies. (Aldazabal, Aponte)

<u>ISSUE 23</u>: Should TECO's proposed Bearss Operations Center project be included in the 2025 projected test year? What, if any, adjustments should be made?

<u>TEC</u>: Yes. The Bearss Operations Center is a modern, storm hardened secure operations center that will replace the company's current energy control center ("ECC") and IT functions at the Ybor Data Center; is prudent; and should be included in test year rate base. The new facility is designed to withstand major tropical storms, protect the company's cyber assets, and operate utility command and control functions for the next 40 years. The ECC and Ybor Data Center are not storm hardened, were not built to current standards, are located in flood-prone areas and need to be replaced to promote reliability and resilience. (Aldazabal)

<u>ISSUE 24</u>: Should TECO's proposed Polk 1 Flexibility project be included in the 2025 projected test year? What, if any, adjustments should be made?

<u>TEC</u>: Yes. The Polk 1 Flexibility Project will convert the existing Polk Unit 1 combined cycle unit into a highly efficient simple cycle unit, is prudent, and should be included in test year rate base. The Project will increase the unit's flexibility, allow faster start times, increase ramp rates, and reduce turndowns; and will generate an estimated $40 million of fuel cost benefits and a CPVRR benefit of $166.9 million. (Aldazabal, Aponte)

<u>ISSUE 25</u>: What amount of Plant in Service for the 2025 projected test year should be approved?

<u>TEC</u>: The Commission should approve Jurisdictional Adjusted Plant in Service totaling $13.4 billion as shown on MFR Schedule B-1. OPC's proposed adjustment for spare transformers should be rejected. (Whitworth, Chronister)

<u>ISSUE 26</u>: What amount of Accumulated Depreciation for the 2025 projected test year should be approved?

<u>TEC</u>: The Commission should approve Jurisdictional Adjusted Accumulated Depreciation and Amortization totaling $4.0 billion as shown on MFR Schedule B-1. (Chronister)

<u>ISSUE 27</u>: What amount of Construction Work in Progress for the 2025 projected test year should be approved?

<u>TEC</u>: The Commission should approve Jurisdictional Adjusted CWIP totaling $230.2 million as shown on MFR Schedule B-1. (Chronister)

<u>ISSUE 28</u>: What amount of level of Property Held for Future Use for the 2025 projected test year should be approved?

<u>TEC</u>: The Commission should approve Jurisdictional Adjusted Property Held for Future Use totaling $68.0 million as shown on MFR Schedule B-1. (Chronister)

<u>ISSUE 29</u>: What amount of unfunded Other Post-retirement Employee Benefit (OPEB) liability and any associated expense should be included in rate base?

<u>TEC</u>: The amount of unfunded OPEB liability that should be included in rate base is the 13-month average of $70,740,641. This equals the credit amount in account 228.3232, FAS 106 Liability - Retired - Non-Current. The sum of the balances in accounts 228.3231 and 242.0131 (FAS 158 credits), when added to debit balances in account 182.3200 (Regulatory Asset) offsetting the FAS 158 balances, equal zero. There are no associated expenses included in rate base. (Chronister)

<u>ISSUE 30</u>: What level of TECO's fuel inventories should be approved?

<u>TEC</u>: The Commission should approve fuel inventory for the projected 2025 test year totaling $36.6 million as shown on MFR Schedule B-17. (Chronister)

<u>ISSUE 31</u>: What amount of Working Capital for the 2025 projected test year should be approved?

<u>TEC</u>: The Commission should approve a Jurisdictional Working Capital Allowance totaling $86.7 million as shown on MFR Schedule B-1. (Chronister)

<u>ISSUE 32</u>: What amount of rate base for the 2025 projected test year should be approved?

<u>TEC</u>: The Commission should approve projected 13-month average rate base for 2025 of $9.8 billion as shown on MFR Schedule B-1. (Chronister)

<u>2025 COST OF CAPITAL</u>

<u>ISSUE 33</u>: What amount of accumulated deferred taxes should be approved for inclusion in the capital structure for the 2025 projected test year?

<u>TEC</u>: The Commission should approve Jurisdictional Adjusted Accumulated Deferred Income Taxes of $980.9 million as shown on MFR Schedule D-1a. (Chronister, Strickland)

<u>ISSUE 34</u>: What amount and cost rate of the unamortized investment tax credits should be approved for inclusion in the capital structure for the 2025 projected test year?

<u>TEC</u>: The Commission should approve Jurisdictional Adjusted Tax Credits in the amount of $211.7 million and a cost rate of 8.26 percent as shown on MFR Schedule D-1a. (Chronister, Strickland)

<u>ISSUE 35</u>: What amount and cost rate for customer deposits should be approved for inclusion in the capital structure for the 2025 projected test year?

<u>TEC</u>: The Commission should approve Jurisdictional Adjusted Customer Deposits of $99.2 million and a cost rate of 2.41 percent as shown on MFR Schedule D-1a. (Chronister)

<u>ISSUE 36</u>: What amount and cost rate for short-term debt should be approved for inclusion in the capital structure for the 2025 projected test year?

<u>TEC</u>: The Commission should approve Jurisdictional Adjusted Short-Term Debt of $376.6 million and a cost rate of 3.90 percent as shown on MFR Schedule D-1a. (Chronister)

<u>ISSUE 37</u>: What amount and cost rate for long-term debt should be approved for inclusion in the capital structure for the 2025 projected test year?

<u>TEC</u>: The Commission should approve Jurisdictional Adjusted Long-Term Debt of $3.536 billion and a cost rate of 4.53 percent as shown on MFR Schedule D-1a. (Chronister)

<u>ISSUE 38</u>: What equity ratio should be approved for use in the capital structure for ratemaking purposes for the 2025 projected test year?

<u>TEC</u>: The Commission should approve the company’s proposed 54 percent equity ratio (investor sources). This proposed equity ratio is reasonable and prudent, will allow the company to maintain its financial integrity, attract capital on reasonable terms and conditions, and ensure uninterrupted access to capital markets to finance infrastructure improvements and manage unforeseen events. The lower equity ratio advocated by FEA is too low, would be perceived by credit-rating agencies as credit-negative, and should be rejected. (Chronister)

<u>ISSUE 39</u>: What authorized return on equity (ROE) should be approved for use in establishing TECO’s revenue requirement for the 2025 projected test year?

<u>TEC</u>: The Commission should approve a mid-point return on equity of 11.5 percent with an allowed range of earnings of plus or minus 100 basis points. The ROE’s proposed by the intervenors are too low, do not reflect a reasonable return, are not prudent, and should be rejected. (D'Ascendis)

ISSUE 40: What capital structure and weighted average cost of capital should be approved for use in establishing TECO's revenue requirement for the 2025 projected test year?

TEC: The Commission should approve the Jurisdictional Capital Structure totaling $9.798 billion and a weighted average cost of capital ("WACC") of 7.37 percent as shown on MFR Schedule D-1a and shown below:

	Jurisdictional			
	Capital		Cost	Weighted
Class of Capital	Structure	Ratio	Rate	Cost Rate
Long Term Debt	3,536,333	36.09%	4.53%	1.63%
Short Term Debt	376,625	3.84%	3.90%	0.15%
Customer Deposits	99,195	1.01%	2.41%	0.02%
Preferred Stock	-	0.00%	-	0.00%
Common Equity	4,593,473	46.89%	11.50%	5.39%
Deferred Income Taxes	980,855	10.01%	-	0.00%
Tax Credits - Zero Cost	-	0.00%	-	0.00%
Tax Credits - Weighted Cost	211,669	2.16%	8.26%	0.18%
	9,798,150	100.00%		7.37%

(Chronister)

2025 NET OPERATING INCOME

ISSUE 41: Has TECO correctly calculated the revenues at current rates for the 2025 projected test year?

TEC: Yes. The correct amount of revenues from sales at current rates for the 2025 projected test year is $1.481 billion as shown on MFR Schedule C-1, page 1 of 3. This amount was determined by applying the company's current tariff rates to the electricity sales reflected in its Customer, Demand, and Energy forecasts by customer rate classes, is reasonable, and should be approved by the Commission. OPC's proposed base revenue adjustments for 2025, 2026, and 2027 rely on a methodology that overlooks key facts, has severe shortcomings, and is inaccurate, and therefore should be rejected. (Chronister, Cifuentes, Williams)

ISSUE 42: What amount of Total Operating Revenues should be approved for the 2025 projected test year?

TEC: The correct amount of total operating revenues for the 2025 projected test year is $1.518 billion as shown on MFR Schedule C-1, page 1 of 3. This amount reflects the amount of revenue from sales in Issue No. 41 plus a reasonable estimate of Other Operating Revenues for the 2025 test year. (Chronister, Cifuentes, Williams)

ISSUE 43: What amount of O&M expense associated with Polk Unit 1 has TECO included in the 2025 projected test year? Should this amount be approved and what, if any, adjustments should be made?

TEC: As noted in the company's answer to Sierra Club's First Set of Interrogatories No. 6, the company included $9,685,047 of Polk Unit 1 non-fuel O&M costs in the 2025 projected test year. Most of this amount is associated with the operation of Polk Unit 1 on natural gas. Polk Unit 1 provides important fuel diversity, reliability, and flexibility benefits to customers and could return to IGCC operation within a year to help protect customers from high gas prices if the forward curve for petcoke is favorable. The existing well system at Polk Station is adequate and necessary to handle the wastewater from Polk 1 and 2. The associated environmental costs are justified in light of the significant fuel diversity, reliability, and flexibility benefits that Polk Unit 1 provides to customers. For these reasons, Sierra Club's recommendations to disallow the O&M expenses associated with wastewater injection and the IGCC components at Polk Unit 1 should be rejected and the company's forecasted amount should be approved. (Aldazabal, Stryker, Chronister)

ISSUE 44: What amount of O&M expense associated with Big Bend Unit 4 has TECO included in the 2025 projected test year? Should this amount be approved and what, if any, adjustments should be made?

TEC: As noted in the company's answer to Sierra Club's First Set Interrogatory, No. 6, the company included $12,472,909 in Big Bend Unit 4 non-fuel O&M costs in the 2025 projected test year. Big Bend Unit 4 provides important fuel diversity, reliability, and flexibility benefits to customers. Although it does not frequently run on coal, Big Bend 4 is available to run and has recently run on coal during extreme winter weather, when gas prices spiked, and during pipeline alert periods when gas deliveries to Florida were limited. The company has already achieved compliance with the ELG rule through its deep injection well system and the discharge of FGD and other storm and wastewater is now permitted through the FDEP Underground Injection Control Program. The associated costs are justified in light of the significant fuel diversity, reliability, and flexibility benefits that Big Bend Unit 4 provides to customers. For these reasons, the Sierra Club's recommendations to disallow the O&M expenses associated with the unit should be rejected and the company's forecasted amount should be approved. (Aldazabal, Stryker, Chronister)

ISSUE 45: What amount of generation O&M expense should be approved for the 2025 projected test year?

TEC: The Commission should approve Jurisdictional Adjusted Production (generation) O&M Expense for the 2025 test year of $125.1 million. The company has not "bunched" planned major outages in the test year and OPC's "normalization" proposal improperly focuses on historical costs which are not indicative of the costs expected to be incurred in the test year. If the Commission adjusts planned outage expenses for the test year, it should allow the company to defer costs above an annual allowed amount for recovery in future years. (Aldazabal, Chronister)

ISSUE 46: What amount of transmission O&M expense should be approved for the 2025 projected test year?

TEC: The Commission should approve Jurisdictional Adjusted Transmission O&M Expense for the 2025 test year of $11,491,000. This amount is below the Commission's benchmark amount, is reasonable, and should be approved. (Whitworth, Chronister)

ISSUE 47: What amount of distribution O&M expense should be approved for the 2025 projected test year?

TEC: The Commission should approve Jurisdictional Adjusted Distribution O&M Expense for the 2025 test year of $54,243,000. This amount is below the Commission's benchmark amount, is reasonable, and should be approved. (Whitworth, Chronister)

ISSUE 48: Has TECO made the appropriate test year adjustments to remove fuel revenues and fuel expenses recoverable through the Fuel Adjustment Clause?

TEC: Yes. The appropriate adjustments are shown on MFR Schedules C-2 and C-3 and should be approved. (Chronister)

ISSUE 49: Has TECO made the appropriate test year adjustments to remove conservation revenues and conservation expenses recoverable through the Conservation Cost Recovery Clause?

TEC: Yes. The appropriate adjustments are shown on MFR Schedules C-2 and C-3 and should be approved. (Chronister)

ISSUE 50: Has TECO made the appropriate test year adjustments to remove capacity revenues and capacity expenses recoverable through the Capacity Cost Recovery Clause?

TEC: Yes. The appropriate adjustments are shown on MFR Schedules C-2 and C-3 and should be approved. (Chronister)

<u>ISSUE 51</u>: Has TECO made the appropriate test year adjustments to remove environmental revenues and environmental expenses recoverable through the Environmental Cost Recovery Clause?

<u>TEC</u>: Yes. The appropriate adjustments are shown on MFR Schedules C-2 and C-3 and should be approved. (Chronister)

<u>ISSUE 52</u>: Has TECO made the appropriate test year adjustments to remove all storm hardening revenues and expenses recoverable through the Storm Protection Plan Cost Recovery Clause?

<u>TEC</u>: Yes. The appropriate adjustments are shown on MFR Schedules C-2 and C-3 and should be approved. (Chronister)

<u>ISSUE 53</u>: What amount of salaries and benefits, including incentive compensation, should be approved for the 2025 projected test year?

<u>TEC</u>: The Commission should approve salaries and benefits expense, including incentive compensation, for the 2025 test year in the amount of $376.9 million as shown on MFR Schedule C-35. The Commission should reject OPC and FR/LULAC's proposals to disallow recovery of expenses associated with the company's short-term incentive plan ("STIP"), long-term incentive plan ("LTIP"), and supplemental employee retirement plan ("SERP"), because these plans are: (1) reasonable and prudent parts of the company's total compensation expense, which is targeted at the market-median, (2) enable the company to compete for employee talent, and (3) provide reasonable and balanced incentives that benefit customers. (Cacciatore, Chronister)

<u>ISSUE 54</u>: Does TECO's pension and OPEB expense properly reflect capitalization credits in the 2025 projected test year? If not, what adjustments, if any, should be made?

<u>TEC</u>: Yes. The Commission should approve the company's pension and OPEB expenses for the test year as shown on MFR Schedule C-17. A portion of active employee pension and OPEB expenses are capitalized through the company's fringe rate like other labor costs and reflected as a credit to Account 926. OPC's proposed adjustment to reduce O&M expense is inappropriate because the amount of pension and OPEB costs to be capitalized has already been deducted from the company's forecasted benefits expense. (Chronister)

<u>ISSUE 55</u>: What cost allocation methodologies and what amount of allocated costs and charges with TECO's affiliated companies should be approved for the 2025 projected test year?

<u>TEC</u>: The company accounts for affiliated transactions in accordance with Rule 25-6.1351, F.A.C. Most of the company's affiliate transactions are reflected in the Administrative and General functional expense group, which is $56 million below the Commission's benchmark. The Commission should approve ($28,650,000) of allocated costs and charges from Tampa Electric Company to its affiliates for the 2025 projected test year as reflected in OPC's 5th Set of Interrogatories No. 98. This amount is designated with an "S" for Sale, "A&G Expense Credit" as its general ledger treatment, is included on line No. 62, and reduces test year O&M expenses. The Commission should approve the total of $15,653,000 of allocated costs ($11,075,000) and direct charges ($4,578,000) incurred by Tampa Electric Company from affiliated companies for the 2025 projected test year as reflected in OPC's 5th Set Interrogatory No. 98. This amount is designated with a "P" for Purchase and included on line No. 60. These "S" and "P" amounts were developed using the cost allocation methodologies described in the pre-filed direct testimony of Chronister II, which have been in place for many years, are fair and reasonable, and should be approved. The Commission should reject OPC's two proposed affiliate transaction adjustments because they subtract amounts not included in the company's test year budget, are based on incorrect information and assumptions, rely on historical not test year data, and are founded on inappropriate modification of allocation factors. (Chronister)

<u>ISSUE 56</u>: What amount of Directors and Officers Liability Insurance expense for the 2025 projected test year should be approved?

<u>TEC</u>: The Commission should approve $303,000 of Directors and Officers ("D&O") Liability Insurance expense for the 2025 projected test year. The Commission should reject OPC's proposed 50 percent adjustment because D&O Liability Insurance expense is an ordinary and necessary cost of doing business, is necessary to recruit and retain qualified directors and officers, and the amount is reasonable. (Chronister)

<u>ISSUE 57</u>: What amount of Economic Development expense for the 2025 projected test year should be approved?

<u>TEC</u>: The Commission should approve economic development expenses for the 2025 projected test year of $446,502. This amount was calculated in accordance with Rule 25-6.0426, F.A.C., and is reasonable. (Chronister)

ISSUE 58: What amount and amortization period for TECO's rate case expense for the 2025 projected test year should be approved?

TEC: The Commission should approve total rate case expense of $2,048,000, an amortization period of three years, and $683,000 of rate case expense for the projected 2025 test year as shown on MFR Schedule C-10. (Chronister)

ISSUE 59: What amount of O&M Expense for the 2025 projected test year should be approved?

TEC: The Commission should approve Jurisdictional Adjusted Other O&M Expenses of $391.8 million for the 2025 projected test year as shown on MFR Schedule C-1. This amount is well below the Commission's O&M Benchmark, reflects the costs necessary to support the operations of the company during the test year, and is reasonable. (Chronister)

ISSUE 60: What amount of depreciation and dismantlement expense for the 2025 projected test year should be approved?

TEC: Based on the depreciation parameters and rates proposed in Issue 7, the Commission should approve Jurisdictional Adjusted Depreciation and Amortization expense in the amount of $531.4 million for the projected 2025 test year as shown on MFR Schedule C-1. (Chronister, Allis, Kopp)

ISSUE 61: What amount of Taxes Other Than Income Taxes for the 2025 projected test year should be approved?

TEC: The Commission should approve Jurisdictional Adjusted Taxes Other Than Income expense of $101.6 million for the projected 2025 test year as shown on MFR Schedule C-1. (Chronister)

ISSUE 62: What amount of Parent Debt Adjustment is required by Rule 25-14.004, Florida Administrative Code, for the 2025 projected test year?

TEC: The Commission should approve a Parent Debt Adjustment calculated in accordance with Rule 25-14.004, F.A.C., of $12.9 million for the projected 2025 test year. The adjustment decreased the company's 2025 revenue requirement by $17.4 million. (Strickland, Chronister)

ISSUE 63: What amount of Production Tax Credits should be approved and what is the proper accounting treatment for the 2025 projected test year?

TEC: The company reduced projected 2025 test year income tax expense by approximately $35.4 million to reflect the "flow through" of the estimated amount of PTC to be generated in 2025 by its solar plants placed in service in 2022 and thereafter, which amount should be approved by the Commission. (Strickland, Chronister)

<u>ISSUE 64</u>: What treatment, amounts, and amortization period for the Production Tax Credits that were deferred in 2022-2024 should be approved for the 2025 projected test year?

<u>TEC</u>: As of December 31, 2024, the regulatory liability for "deferred" PTC from 2022 to 2024 is expected to be approximately $55.3 million. The Commission should approve this amount, a ten-year amortization period, and a resulting $5.5 million NOI reduction for the projected 2025 test year. The three-year amortization period for battery storage proposed by OPC is too short, would create intergenerational inequities and an abnormal ratemaking earnings profile, and should be rejected. (Strickland, Chronister)

<u>ISSUE 65</u>: What treatment and amount of the Investment Tax Credits pursuant to the Inflation Reduction Act should be approved for the 2025 projected test year?

<u>TEC</u>: The Commission should approve normalization (amortization over book depreciation life) of deferred ITC for solar and energy storage devices, because it is required under IRS requirements for solar and for energy storage because it avoids intergenerational inequities by allowing the customers who will pay for the assets to enjoy the benefit of the tax credits over the life of the assets. For solar generating facilities placed in service before 2022, the Commission should approve ITC amortization based on a 30-year proposed book depreciation life that reduces income tax expense by $9.9 million for the projected 2025 test year. For the ITC associated with energy storage facilities, the Commission should approve ITC amortization based on a 10-year proposed book depreciation life that reduces test year income tax expense by $3 million for the projected 2025 test year. The amortization periods for solar and storage should be adjusted to reflect the book depreciation lives approved by the Commission in this case. If the Commission requires Tampa Electric to opt-out of normalization for energy storage ITC, the three-year amortization period for battery storage proposed by OPC is too short, would create intergenerational inequities and an abnormal ratemaking earnings profile, and should be rejected. (Strickland, Chronister)

<u>ISSUE 66</u>: What amount of Income Tax expense should be approved for the 2025 projected test year?

<u>TEC</u>: The Commission should approve Jurisdictional Adjusted Income Tax Expense (Benefit) totaling ($8.3 million) for the projected 2025 test year as shown on MFR Schedule C-1. (Strickland, Chronister)

<u>ISSUE 67</u>: What amount of Net Operating Income should be approved for the 2025 projected test year?

<u>TEC</u>: The Commission should approve Jurisdictional Adjusted Net Operating Income for the projected 2025 test year of $501.4 million as shown on MFR Schedule C-1. (Chronister)

<u>2025 REVENUE REQUIREMENTS</u>

<u>ISSUE 68</u>: What revenue expansion factor and net operating income multiplier, including the appropriate elements and rates, should be approved for the 2025 projected test year?

<u>TEC</u>: The Commission should approve a revenue expansion factor and NOI multiplier of 0.74424 for the projected 2025 test year based on the following elements and rates: regulatory assessment fee (0.085 percent), bad debt rate (0.224 percent), state income tax rate (5.5 percent) and federal income tax rate (21.0 percent). (Chronister)

<u>ISSUE 69</u>: What amount of annual operating revenue increase for the 2025 projected test year should be approved?

<u>TEC</u>: The Commission should approve a $296.6 million annual operating revenue increase for the 2025 projected test year as shown on MFR Schedule A-1. (Chronister, Collins)

<u>2025 COST OF SERVICE AND RATES</u>

<u>ISSUE 70</u>: Is TECO's proposed separation of costs and revenues between the wholesale and retail jurisdictions appropriate?

<u>TEC</u>: Yes. Tampa Electric's proposed Jurisdictional Separation Study is appropriate and should be approved. (Williams)

<u>ISSUE 71</u>: What is the appropriate methodology to allocate production costs to the rate classes?

<u>TEC</u>: The terms of the 2021 Stipulation and Settlement Agreement approved by Order No. PSC-2021-0423-S-EI issued November 10, 2021, in Docket No. 20210034-EI ("2021 Agreement") require Tampa Electric to propose to allocate production costs using the 4 Coincident Peak methodology. The Big Bend Unit 4 scrubber and Polk 1 gasifier should continue to be allocated on an energy basis, which is consistent with Tampa Electric's last four approved Cost of Service Studies. (Williams)

ISSUE 72: What is the appropriate methodology to allocate transmission costs to the rate classes?

TEC: The terms of the 2021 Agreement require Tampa Electric to propose to allocate transmission costs using the 4 Coincident Peak methodology. (Williams)

ISSUE 73: What is the appropriate methodology to allocate distribution costs to the rate classes?

TEC: The terms of the 2021 Agreement require Tampa Electric to propose to classify distribution costs using a full MDS approach. Distribution costs should be allocated the same way in which they were derived and provided in MFR Schedule E-10. The allocation methodology relies on a mixture of rate class non-coincident peaks and customer maximum demands. It is consistent with how Tampa Electric has previously allocated distribution costs and consistent with NARUC's Electric Utility Cost Allocation Manual. (Williams)

ISSUE 74: How should any change in the revenue requirement approved by the Commission be allocated among the customer classes?

TEC: Any changes in the revenue requirement should be allocated among customers based on the Commission's approved cost allocation methodology. (Williams)

ISSUE 75: Should the proposed modifications to the delivery voltage credit be approved?

TEC: Yes. The proposed modifications are reasonable and should be approved. (Williams)

ISSUE 76: What are the appropriate service charges (initial connection, reconnect for nonpayment, connection of existing account, field visit, temporary overhead and underground, meter tampering)?

TEC: The appropriate service charges are the proposed charges provided in MFR Schedule E-13b. (Williams)

ISSUE 77: Should the modifications to the emergency relay power supply charge be approved?

TEC: Yes. The proposed modifications are reasonable and should be approved. (Williams)

ISSUE 78: What are the appropriate basic service charges?

TEC: The appropriate basic service charges are shown in MFR Schedule E-13c. (Williams)

ISSUE 79: What are the appropriate demand charges?

TEC: The appropriate demand charges are shown in MFR Schedule E-13c. (Williams)

ISSUE 80: What are the appropriate energy charges?

TEC: The appropriate energy charges are shown in MFR Schedule E-13c. (Williams)

ISSUE 81: What are the appropriate Lighting Service rate schedule charges?

TEC: The appropriate Lighting Service charges are shown in MFR Schedule E-13c and E-13d. (Williams)

ISSUE 82: What are the appropriate Standby Services (SS-1, SS-2, SS-3) rate schedule charges?

TEC: The appropriate Standby Services rate schedule charges are shown in MFR Schedule E-13c. (Williams)

ISSUE 83: Should the proposed modifications to the time-of-day periods be approved?

TEC: Yes. The proposed modifications to the time-of-day periods should be approved. Tampa Electric's proposed modifications to the time-of-day periods are reasonable and more accurately reflect a change in the company's marginal energy costs profile. (Williams)

ISSUE 84: Should the proposed modifications to the Non-Standard Meter Rider tariff (Tariff Sheet No. 3.280) be approved?

TEC: No. Tampa Electric did not propose any modifications to the Non-Standard Meter Rider tariff. (Williams)

ISSUE 85: Should the proposed tariff modifications to the Budget Billing Program (Fifth Revised Tariff Sheet No. 3.020) be approved?

TEC: Yes. The proposed modifications are reasonable and should be approved. (Williams, Sparkman)

ISSUE 86: Should the proposed tariff modifications regarding general liability and customer responsibilities (Fifth Revised Tariff Sheet No. 5.070 and Original Tariff Sheet No. 5.081) be approved?

TEC: Yes. The proposed modifications are reasonable and should be approved. (Williams)

ISSUE 87: Should the proposed tariff modifications to Contribution in Aid of Construction (Fifth Revised Tariff Sheet No. 5.105) be approved?

TEC: Yes. The proposed modifications are reasonable and should be approved. (Williams, Sparkman)

ISSUE 88: Should the proposed tariff modifications to the Economic Development Rider (Third Revised Tariff Sheet Nos. 6.720, 6.725, 6.730) be approved?

TEC: Yes. The proposed modifications are reasonable and should be approved. (Williams, Sparkman)

ISSUE 89: Should the proposed modifications to LS-1 (Eleventh Revised Tariff Sheet No. 6.809) regarding lighting wattage variance be approved?

TEC: Yes. The proposed modifications are reasonable and should be approved. (Williams, Sparkman)

ISSUE 90: Should the proposed LS-2 Monthly Rental Factors (Original Tariff Sheet No. 6.845) be approved?

TEC: Yes. The proposed LS-2 Monthly Rental Factors offers optionality to customers, are reasonable, and should be approved. (Williams)

ISSUE 91: Should the proposed termination factors for long-term facilities (Fifth Revised Tariff Sheet No. 7.765) be approved?

TEC: Yes. The proposed termination factors for long-term facilities are reasonable and should be approved. (Williams)

ISSUE 92: Should the non-rate related tariff modifications be approved?

TEC: Yes. The proposed revisions are reasonable and should be approved. (Williams, Sparkman)

ISSUE 93: Should the Commission give staff administrative authority to approve tariffs reflecting Commission approved rates and charges?

TEC: Yes. (Williams)

<u>2026 AND 2027</u>
<u>SUBSEQUENT YEAR ADJUSTMENTS</u>

<u>ISSUE 94</u>: What are the considerations or factors that the Commission should evaluate in determining whether an SYA should be approved?

<u>TEC</u>: The Commission should consider the projects proposed to be included for cost recovery via an SYA, the projected costs of those projects, the impact those plant additions will have on the company's ability to earn within its authorized range of return on equity, and the extent to which the proposed SYA can mitigate the company's need for successive general rate increases. There is nothing in Section 366.076, Florida Statutes, that limits SYA to cost recovery for generation projects. The projects included in the company's proposed 2026 and 2027 SYA are major projects, their costs are reasonable and prudent, placing them in service will have a material impact on the company's ability to earn within its authorized range of returns, and including them in the proposed SYA will mitigate the company's need for successive general rate increases; therefore, they should be approved. (Chronister)

<u>ISSUE 95</u>: Should the Commission approve the inclusion of TECO's proposed Solar Projects in the 2026 and 2027 SYA? What, if any, adjustments should be made?

<u>TEC</u>: Yes. The Future Solar Projects proposed for recovery through SYA are prudent or the reasons explained under Issue 18 and should be included in the 2026 and 2027 SYA. (Stryker, Aponte, Heisey, Chronister)

<u>ISSUE 96</u>: Should the Commission approve the inclusion of TECO's proposed Grid Reliability and Resilience Projects in the 2026 and 2027 SYA? What, if any, adjustments should be made?

<u>TEC</u>: Yes. The proposed GRR projects are prudent for the reasons explained under Issue 19 and should be included in the 2026 and 2027 SYA. There is nothing in Section 366.076, Florida Statutes, that limits SYA to cost recovery for generation projects, thus OPC's proposal to disallow the GRR Projects should be rejected. (Lukcic, Whitworth, Chronister)

<u>ISSUE 97</u>: Should the Commission approve the inclusion of TECO's proposed Polk 1 Flexibility Project in the 2026 SYA? What, if any, adjustments should be made?

<u>TEC</u>: Yes. The Polk 1 Flexibility Project is prudent for the reasons explained under Issue 24 and should be included in the 2026 SYA. (Aldazabal, Aponte, Chronister)

ISSUE 98: Should the Commission approve the inclusion of TECO's proposed Energy Storage Projects in the 2026 SYA? What, if any, adjustments should be made?

TEC: Yes. The company's 115 MW of Future Energy Storage Capacity projects are prudent for the reasons explained under Issue 20 and should be included in the 2026 SYA. (Stryker, Aponte, Chronister)

ISSUE 99: Should the Commission approve the inclusion of TECO's proposed Bearss Operations Center Project in the 2026 SYA? What, if any, adjustments should be made?

TEC: Yes. The Bearss Operations Center is prudent for the reasons explained under Issue 23 and should be included in the 2026 SYA. (Aldazabal, Chronister)

ISSUE 100: Should the Commission approve the inclusion of TECO's proposed Corporate Headquarters Project in the 2026 SYA? What, if any, adjustments should be made?

TEC: Yes. The company's new corporate headquarters project is prudent for the reasons explained under Issue 21 and should be included in the 2026 SYA. (Aldazabal, Chronister)

ISSUE 101: Should the Commission approve the inclusion of TECO's proposed South Tampa Resilience Project in the 2026 and 2027 SYA? What, if any, adjustments should be made?

TEC: Yes. STRP is prudent for the reasons explained under Issue 22 and should be included in the 2026 and 2027 SYA. (Aldazabal, Aponte, Chronister)

ISSUE 102: Should the Commission approve the inclusion of TECO's proposed Polk Fuel Diversity Project in the 2026 and 2027 SYA? What, if any, adjustments should be made?

TEC: Yes. The Polk Fuel Diversity project is prudent and should be included in the 2027 SYA. The Project will mitigate customer exposure to natural gas price spikes and supply disruptions and is not proposed to be recovered in the 2026 SYA. (Aldazabal, Chronister)

ISSUE 103: What overall rate of return should be used to calculate the 2026 and 2027 SYA?

TEC: The Commission should use the overall return approved in Issue 40, which the company believes should be 7.37 percent. (Chronister)

ISSUE 104: Should the SYA for 2026 and 2027 reflect additional revenues due to customer growth? What, if any, adjustments should be made?

TEC: No. OPC's proposed revenue adjustments for 2026 and 2027 should be rejected for the reasons discussed in Issue 2 and because additional revenue from customer growth will be needed to recover costs associated with general rate base growth. Imputing incremental into the calculation of the 2026 and 2026 SYA would be inconsistent with the method used to calculate the company's previous SoBRA and GBRA, would moderate the benefits of SYA and increase the likelihood that the company will need additional rate relief in those years. (Chronister, Cifuentes)

ISSUE 105: Should the Commission approve the inclusion of TECO's proposed incremental O&M expense associated with the SYA projects in the 2026 and 2027 SYA?

TEC: Yes. The O&M expenses for 2026 and 2027 for the SYA projects are project specific and incremental to the O&M expenses included in the calculation of the company's projected 2025 test year NOI (see Issue 59). (Chronister)

ISSUE 106: Should the depreciation expense and Investment Tax Credits amortization used to calculate the proposed 2026 and 2027 SYA be adjusted to reflect the Commission's decisions on depreciation rates and ITC amortization for the 2025 projected test year?

TEC: Yes. (Strickland, Chronister)

ISSUE 107: What annual amount of incremental revenues should be approved for recovery through the 2026 and 2027 SYA?

TEC: The Commission should approve SYA for 2026 and 2027 to recover incremental revenues of $100,074,841 and $71,847,925, respectively. (Chronister)

ISSUE 108: What rate design approach should be used to develop customer rates for the 2026 and 2027 SYA?

TEC: The Commission should apply the incremental 2026 and 2027 SYA revenues approved in Issue 107 on a pro rata basis to the customer, energy, and demand charges for the non-lighting classes approved in Issues 75 through 85. (Williams)

ISSUE 109: When should the 2026 and 2027 SYA become effective?

TEC: The 2026 and 2027 SYA should be effective with the first billing cycle in January 2026 and 2027, respectively. (Chronister, Williams)

ISSUE 110: Should TECO be required to file its proposed 2026 and 2027 SYA rates for Commission approval in September 2026 and 2027, respectively, reflecting then current billing determinants?

TEC: Yes. This approach ensures that SYA rates will be based on the most recent available billing determinants. (Williams)

OTHER

ISSUE 111: Should TECO's proposed Corporate Income Tax Change Provision be approved?

TEC: Yes. The proposed Corporate Income Tax Change Provision, like others that have been in effect by agreement since 2013, will provide an efficient regulatory mechanism for addressing corporate income tax changes that occur after this rate proceeding is over. (Chronister)

ISSUE 112: Should TECO's proposed Storm Cost Recovery Provision be approved?

TEC: Yes. The proposed Storm Cost Recovery Provision, like others that have been in effect by agreement since 2013, will provide an efficient regulatory mechanism for review and recovery of prudent storm damage restoration and recovery costs. (Chronister)

ISSUE 113: Should TECO's proposed Asset Optimization Mechanism be approved, and what, if any, modifications should be made?

TEC: Yes. The company's existing Asset Optimization Mechanism ("AOM") has provided over $45 million of customer benefits since 2018. Adding capacity release of gas pipeline transportation and renewable energy credit ("REC") sale revenues to the AOM will reasonably incent the company to engage in beneficial transactions that will lower fuel expenses for customers; therefore, the company's proposed AOM should be approved. (Heisey)

ISSUE 114: What are the appropriate updated Clean Energy Transition Mechanism factors and when should they become effective?

TEC: The Commission should approve the proposed CETM factors shown on pages 10 and 11 of the prepared direct testimony of Ashley Sizemore as updated to reflect the overall rate of return approved by the Commission in Issue 40 to be effective with the first billing cycle in January 2025. (Sizemore)

ISSUE 115: Should the proposed Senior Care Program (Original Tariff Sheet No. 3.310) and associated cost recovery be approved?

TEC: Yes. The proposed new Senior Care Program assists a small population of financially challenged customers and should be approved. (Williams, Sparkman)

ISSUE 116: Should TECO be required to perform any studies or analysis relating to the retirement of Polk Unit 1 and/or Big Bend Unit 4, including early retirement dates, environmental compliance costs, and/or procurement of alternative resources?

TEC: No. The company's testimony and exhibits demonstrate that (1) Polk Unit 1 provides important fuel diversity, reliability, and flexibility benefits to customers and could return to IGCC operation within a year to help protect customers from high gas prices if the forward price curve for petcoke is favorable and (2) Big Bend Unit 4 provides important fuel diversity, reliability, and flexibility benefits to customers, and while it does not frequently run on coal, Big Bend 4 is available to run and has recently run on coal during extreme winter weather, when gas prices spiked, and during pipeline alert periods when gas deliveries to Florida were limited. The company evaluates the roles these units play in its generating portfolio every year as part of the 10-Year Site Planning process, so no further studies or actions like early retirement and loan applications are needed or should be ordered at this time. (Aldazabal, Stryker)

ISSUE 117: What is the appropriate effective date for TECO's revised 2025 rates and charges?

TEC: The company's revised 2025 rates and charges should be approved effective with the first billing cycle in January 2025. (Chronister, Williams)

ISSUE 118: Has the Commission considered TECO's performance pursuant to Sections 366.80–366.83 and 403.519, Florida Statutes, when establishing rates?

TEC: Yes. The company's FEECA performance is summarized in the prepared direct testimony of Ashley Sizemore. From inception through the end of 2023, the company's energy conservation programs have reduced summer and winter peak demand by 835.4 MW and 1,349.8 MW, respectively, and have saved 1,950.1 GWh of annual energy, which is the equivalent of avoiding the need for over seven 180 MW power plants. (Sizemore)

ISSUE 119: Should TECO be required to file, within 90 days after the date of the final order in this docket, a description of all entries or adjustments to its annual report, rate of return reports, and books and records which will be required as a result of the Commission's findings in this rate case?

TEC: Yes. (Chronister)

ISSUE 120: Should this docket be closed?

TEC: Yes. (Legal)

Contested Issues

SC-2: Should TECO recover O&M expense associated with keeping integrated gasification, steam turbine, and/or heat recovery steam generator components at Polk Unit 1 in long-term standby, and what adjustments should be made?

TEC: The company's position on this issue is reflected under Issue 43. (Aldazabal, Stryker, Chronister)

SC-5: Should TECO recover O&M expense associated with injecting wastewater into deep wells at Polk Unit 1 and Big Bend Unit 4, and what adjustments should be made?

TEC: The company's position on this issue is reflected under Issues 43 and 44. (Aldazabal, Stryker, Chronister)

SC-6: Should TECO recover any O&M expense associated with coal or petcoke combustion at Polk Unit 1 and/or Big Bend Unit 4, and what adjustments should be made?

TEC: The company's position on this issue is reflected under Issues 43 and 44. (Aldazabal, Stryker, Chronister)

SC-12: Should TECO be required to apply for the U.S. Department of Energy's Energy Infrastructure Reinvestment Program for Polk Unit 1 and/or Big Bend Unit 4?

TEC: The company's position on this issue is reflected under Issue 116. (Aldazabal, Stryker)

SC-13: Should TECO be required to cease all coal combustion at Polk Unit 1 by 2024 and Big Bend Unit 4 by 2025?

TEC: The company's position on this issue is reflected under Issue 116. (Aldazabal, Stryker)

OPC-1: What considerations should the Commission give the affordability of customer bills in this proceeding?

TEC: Affordability is a term that's difficult to describe because its meaning varies from person-to-person. What may be "affordable" varies from household-to-household. It depends on individual perceptions, income levels, financial obligations, spending priorities, and spending decisions. Two families with the same income and utility bills may view affordability of electricity differently based on their different circumstances. The term "affordable" is not used or defined in Chapter 366, Florida Statutes. To the extent the US Department of Energy's high energy burden six percent guideline is relevant, the company's historical and proposed residential bills for a two person household would be about 4.5 percent, well below the guideline.

Electricity is steadily becoming a more important and valuable part of daily living. The company is committed to providing safe, reliable, and resilient electric service to all of its customers – now and in the future. The Commission should consider affordability in this case by recognizing that the company promotes overall affordability by operating in an efficient and cost-effective manner, and by making investments that provide long-term value to moderate fuel and operating costs and increase reliability and resilience. Tampa Electric's proposed rates and charges in this case reflect these efforts; are fair, just, and reasonable; and will allow the company to continue meeting the ever increasing service and reliability expectations of its customers. (Williams, Sparkman)

OPC-2: What impact will TECO's rate increase have on rate payers?

TEC: The actual impact of the proposed rate increase in this case is difficult to predict because they will be reflected on customer bills that are influenced by the weather and customer usage, which cannot be estimate with certainty on an individual customer basis, and on recovery clause factors that have not been set. Moderate weather and low fuel costs can offset the impact or base rate increases on customers; extreme weather and high fuel costs can have the opposite effect.

As filed, the company's proposed 2025 base rate increases for a typical 1,000 kWh RS bill and a typical 1,200 kWh GS bill are 21.9 and 2.5 percent, respectively. Using the company's recovery clause factors in effect on January 1, 2024, which have since declined, the company estimates that a typical 1,000 kWh residential bill will increase about 12 percent over 2024 but would be lower than in 2023. Similarly, a typical small commercial bill of 1,200 kWh would increase 0.1 percent over 2024 and would be about 10 percent lower than 2023. (Williams)

OPC-3: Should TECO continue to operate as the *de facto* centralized service provider, and if so, what additional measures should be taken, if any, to facilitate its operation as the centralized service provider?

TEC: Yes. The company's operations as a so-called "*defacto* centralized service provider" complies with Rule 25-6.1351, F.A.C. OPC's recommendations for future regulation should only be considered in a rulemaking or other proceeding applicable to all public utilities operating under the Commission's jurisdiction and are either overly burdensome or redundant. (Chronister)

F. STIPULATED ISSUES

TEC: None at this time, but Tampa Electric will work with the parties to stipulate issues where possible.

G. PENDING MOTIONS

TEC: None at this time.

H. PENDING REQUESTS OR CLAIMS FOR CONFIDENTIALITY

Tampa Electric has filed the following requests for confidential classification ("RCC") and motions for temporary protective orders ("MTPO") and they are currently pending:

Date Filed	Type	Subject Matter
April 2, 2024 *Amended April 30, 2024*	RCC & MTPO	Tampa Electric's Petition
April 11, 2024	MTPO	OPC's 1st IRR & 1st POD
April 17, 2024	MTPO	OPC's 2nd IRR & 2nd POD
April 19, 2024	MTPO	OPC's 2nd IRR & 2nd POD
April 22, 2024	RCC & MTPO	OPC's 2nd POD
April 22, 2024	MTPO	OPC's 1st POD
April 26, 2024	RCC & MTPO	OPC's 1st IRR & 1st POD
April 30, 2024	RCC & MTPO	OPC's 1st POD
Aril 30, 2024	RCC & MTPO	Tampa Electric's Petition *Amended Exhibit A*
May 2, 2024	RCC & MTPO	LULAC's 1st POD
May 2, 2024	RCC & MTPO	OPC's 2nd POD
May 6, 2024	RCC & MTPO	OPC's 2nd POD
May 8, 2024	RCC & MTPO	OPC's 6th POD
May 13, 2024	MTPO	OPC's 4th POD
May 13, 2024	RCC	OPC's 4th POD
May 13, 2024	RCC & MTPO	LULAC's 2nd POD

May 14, 2024	MTPO	Deposition Transcript of Jeff Chronister
May 14, 2024	RCC & MTPO	OPC's 10th IRR
May 16, 2024	RCC & MTPO	OPC's 9th IRR
May 16, 2024	RCC & MTPO	FIPUG's 1st IRR & 1st POD
May 16, 2024	RCC & MTPO	Sierra Club's 1st IRR
May 20, 2024	RCC & MTPO	OPC's 10th POD
May 21, 2024 *Amended July 1, 2024*	RCC & MTPO	OPC's 1st POD
May 22, 2024	MTPO	Sierra Club's 2nd IRR & 2nd POD
May 22, 2024	RCC & MTPO	Sierra Club 2nd IRR
May 23, 2024	RCC & MTPO	Staff's 1st POD
May 23, 2024 *Amended July 1, 2024*	RCC & MTPO	OPC's 10th IRR & 11th POD
May 28, 2024	RCC	Exhibit No. 1 to the Transcript of the Deposition of Jeff Chronister
May 30, 2024	RCC & MTPO	FEA's 1st POD
May 31, 2024	RCC	Sierra Club's 2nd POD
June 3, 2024	RCC & MTPO	Staff's 2nd IRR & 2nd POD
June 10, 2024	RCC	FIPUG's Direct Testimony of Jonathan Ly
June 11, 2024	RCC	Exhibits Amended BCO-2 and BCO-3 of Bion C. Ostrander's Direct Testimony and Exhibits filed by the Office of Public Counsel.
June 13, 2024	RCC & MTPO	Staff's 5th Set of IRRs
July 1, 2024	*Amended* RCC & MTPO	OPC's 1st POD
July 1, 2024	*Amended* RCC & MTPO	OPC's 10th IRR & 11th POD
July 2, 2024	RCC & MTPO	Document No. 3 of Exhibit JC-3 to Jeff Chronister's Rebuttal Testimony
July 2, 2024	RCC & MTPO	Document Nos. 1 and 2 of Exhibit JW-2 to Jordan Williams's Rebuttal Testimony
July 9, 2024	RCC & MTPO	LULAC's 8th POD
July 10, 2024	RCC & MTPO	LULAC's 9th POD
July 10, 2024	MTPO	LULAC's 9th POD
July 12, 2024	RCC & MTPO	LULAC's 9th POD
July 19, 2024	RCC & MTPO	Staff's 8th POD & FIPUG's 4th IRR

July 22, 2024	RCC & MTPO	John C. Heisey's Exhibit JCH-1, page 3 of 3, for the period January 2023 – December 2023, filed on April 3, 2024, in Docket No. 20240001-EI

I. OBJECTIONS TO A WITNESS'S QUALIFICATIONS

TEC: None.

J. REQUEST FOR SEQUESTRATION OF WITNESSES

Tampa Electric does not request the sequestration of witnesses.

K. COMPLIANCE WITH ORDER ESTABLISHING PROCEDURE

TEC: To the best of its knowledge, Tampa Electric has complied with all requirements of the Order Establishing Procedure No. PSC-2024-0096-PCO-EI.

DATED this 22nd day of July, 2024.

Respectfully submitted,

J. JEFFRY WAHLEN
jwahlen@ausley.com
MALCOLM N. MEANS
mmeans@ausley.com
VIRGINIA L. PONDER
vponder@ausley.com
Ausley McMullen
Post Office Box 391
Tallahassee, Florida 32302
(850) 224-9115

ATTORNEYS FOR TAMPA ELECTRIC COMPANY

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that electronic copies of the foregoing Prehearing Statement have been served by electronic mail on this 22nd day of July, 2024 to the following:

Adria Harper
Carlos Marquez
Timothy Sparks
Daniel Dose
Florida Public Service Commission/OGC
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850
aharper@psc.state.fl.us
cmarquez@psc.state.fl.us
tsparks@psc.state.fl.us
ddose@psc.state.fl.us
discovery-gcl@psc.state.fl.us

Walt Trierweiler
Patricia Christensen
Octavio Simoes-Ponce
Charles Rehwinkel
Mary Wessling
Austin Watrous
Office of Public Counsel
c/o The Florida Legislature
111 West Madison Street, Room 812
Tallahassee, FL 32399-1400
trierweiler.walt@leg.state.fl.us
christensen.patty@leg.state.fl.us
ponce.octavio@leg.state.fl.us
rehwinkel.charles@leg.state.fl.us
wessling.mary@leg.state.fl.us
watrous.austin@leg.state.fl.us

Bradley Marshall
Jordan Luebkemann
Earthjustice
111 S. Martin Luther King Jr. Blvd.
Tallahassee, FL 32301
bmarshall@earthjustice.org
jluebkemann@earthjustice.org

Jon Moyle
Karen Putnal
c/o Moyle Law Firm
118 N. Gadsden Street
Tallahassee, FL 32301
jmoyle@moylelaw.com
kputnal@moylelaw.com
mqualls@moylelaw.com

Leslie R. Newton, Maj. USAF
Ashley N. George, Capt. USAF
AFLOA/JAOE-ULFSC
139 Barnes Drive, Suite 1
Tyndall Air Force Base, Florida 32403
Leslie.Newton.1@us.af.mil
Ashley.George.4@us.af.mil

Thomas A. Jernigan
AFCEC/JA-ULFSC
139 Barnes Drive, Suite 1
Tyndall Air Force Base, Florida 32403
thomas.jernigan.3@us.af.mil

Ebony M. Payton
AFCEC-CN-ULFSC
139 Barnes Drive, Suite 1
Tyndall Air Force Base, Florida 32403
Ebony.Payton.ctr@us.af.mil

Robert Scheffel Wright
John LaVia, III
Gardner, Bist, Wiener, Wadsworth, Bowden,
Bush, Dee, LaVia & Wright, P.A.
1300 Thomaswood Drive
Tallahassee, FL 32308
shef@gbwlegal.com
jlavia@gbwlegal.com

Nihal Shrinath
2101 Webster Street, Suite 1300
Oakland, CA 94612
nihal.shrinath@sierraclub.org

Floyd R. Self
Ruth Vafek
Berger Singerman, LLP
313 North Monroe Street, Suite 301
Tallahassee, FL 32301
fself@bergersingerman.com
rvafek@bergersingerman.com

Sari Amiel
Sierra Club
50 F. Street NW, Eighth Floor
Washington, DC 20001
sari.amiel@sierraclub.org

Hema Lochan
Earthjustice
48 Wall St., 15th Fl
New York, NY 10005
hlochan@earthjustice.org
flcaseupdates@earthjustice.org

Jeff Wahr

ATTORNEY