BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase by Tampa Electric Company	DOCKET NO. 20240026-EI

FLORIDA RISING'S & LEAGUE OF UNITED LATIN AMERICAN CITIZENS' PREHEARING STATEMENT

Florida Rising and League of United Latin American Citizens of Florida ("LULAC"), by and through their undersigned counsel, and pursuant to Order No. PSC-2024-0096-PCO-EI, hereby submit their Prehearing Statement:

I. Witnesses

All Known Witnesses:

Florida Rising & LULAC Direct Witnesses:	Subject Matter:	Issue Nos:
Karl Rábago	Cost of Service, Rate Base, Incentive Compensation, Capital Cost, ROE, Generation	14-25, 39, 53, 71-74, 76, 78-80, 96-103, 119, OPC-1, OPC-2
MacKenzie Marcelin	Affordability, Energy Efficiency, Interruptible Credits	119, OPC-1, OPC-2

All witnesses listed or presented by any other party or intervenor

Impeachment and rebuttal witnesses as needed

Any witnesses revealed during continuing discovery or other investigation

Authentication witnesses or witnesses necessary to lay a predicate for the admissibility of evidence as needed

Standing witnesses as needed

II. Pre-filed Exhibits

Florida Rising and LULAC will sponsor the direct exhibits as set out below. However, Florida Rising and LULAC reserve the right to use other exhibits during cross examination of any other party's or intervenor's witnesses and will file a notice in accordance with the orders governing procedure identifying any documents that TECO claims to be confidential which Florida Rising and LULAC may use during cross examination.

Witness	Proffered By:	Exhibit No.	Description	Issue Nos.
Karl Rábago	Florida Rising & LULAC	KRR-1	Karl R. Rábago Resume	
Karl Rábago	Florida Rising & LULAC	KRR-2	Rábago List of Prior Testimony	
Karl Rábago	Florida Rising & LULAC	KRR-3	12CP & 50%AD COS w/o Rev Def	71-74, 76, 78-80
Karl Rábago	Florida Rising & LULAC	KRR-4	12 CP & 50%AD COS w Rev Def	71-74, 76, 78-80
Karl Rábago	Florida Rising & LULAC	KRR-5	Residential Proposed Rates	78-80
MacKenzie Marcelin	Florida Rising & LULAC	MM-1	2023 Utility Average Monthly Bill	OPC-1, OPC-2
MacKenzie Marcelin	Florida Rising & LULAC	MM-2	TECO Answers to 1st RFAs	OPC-1, OPC-2
MacKenzie Marcelin	Florida Rising & LULAC	MM-3	SACE EE in the SE	119
MacKenzie Marcelin	Florida Rising & LULAC	MM-4	Utility Energy Efficiency Performance	119
MacKenzie Marcelin	Florida Rising & LULAC	MM-5	TECO EE Spending	119

All exhibits listed or introduced into evidence by any other party or intervenor

Standing documents as needed

Impeachment exhibits

Rebuttal exhibits

Exhibits determined necessary by ongoing discovery

All depositions, transcripts, and exhibits attached to depositions

All documents produced in discovery

Blow-ups or reproductions of any exhibit

Demonstrative exhibits

All pleadings, orders, interrogatory answers, or other filings

All documents or data needed to demonstrate the admissibility of exhibits or expert opinion

Maps and summary exhibits

III. Statement of Basic Position

The Commission should deny Tampa Electric Company's ("TECO") request for increased rates. Last year, TECO had the third highest residential electricity bills in the nation, out of 149 utilities with more than 100,000 residential customers. Despite its already-high bills, TECO now requests a $296.6 million revenue increase for 2025 and recommends it receive an astounding midpoint ROE of 11.5%. Moreover, under TECO's Four Coincident Peak ("CP") and Minimum Distribution System ("MDS") cost-of-service methodology, it wants to continue shifting a majority of its additional costs away from large commercial and industrial customers and onto residential customers.

First, the MDS approach TECO uses is economically regressive, defies cost causation principles, and forces lower energy usage customers—typically low-income customers—to subsidize wealthier, higher usage customers. The MDS approach classifies demand costs as customer-related despite the fact that these extrapolated costs do not reflect the actual cost of connecting a customer to the grid. TECO's approach thus uses inflated fixed residential electricity charges, creating greater impacts on low-income customers given the high correlation among TECO customers between low usage rates and lower household income. The Four CP approach used by TECO also unduly burdens residential customers. Four CP focuses narrowly on peak demand, allowing residential customers to subsidize large commercial and industrial customers with relatively flat loads. For instance, use of Four CP creates an additional $71 million in costs residential customers would not otherwise have to pay under a Twelve CP and 1/13 Average Demand ("AD") method, without the use of MDS.

Additionally, TECO's Future Solar Investments, totaling $786.4 million, reflect the bulk of its recent generation investments. Under its current cost-of-service methodology, TECO seeks to allocate *all* of these investment costs based on capacity demands, pushing more of the costs onto residential customers contributing to peak load. This methodology does not promote just and reasonable rates. TECO readily acknowledges that the value of its solar investments comes from the total energy solar produces throughout the day, not its small contributions to peak demand. For instance, a 74.5 MW solar power plant placed in service in 2027 will contribute a mere 1.5% of its total nameplate capacity to meet the summer peak and will contribute nothing to the winter peak. Thus, to effect just and reasonable rates, TECO should not allocate most of these costs to residential customers when large commercial and industrial customers consistently use large amounts of energy throughout the day.

In addition to TECO charging residential customers for solar investments that minimally contribute to peak demand, TECO requests that residential customers pay for the bulk of other new generating projects they will derive little to no benefit from and that are unnecessary for maintaining adequate reserve margins. For example, TECO wants to recover costs for the roughly $200 million fossil-fueled South Tampa Resilience Project, which essentially acts like a subsidy to the U.S. government. TECO also wants to spend almost $54 million to increase TECO's dependence on oil with its Polk Fuel Diversity Project, and TECO seeks to recover for its Polk 1 Flexibility Project even though retirement of the unit will yield savings for customers.

TECO additionally requests rate recovery from mostly residential customers for other non-generating portions of its recent spending spree. TECO wants to recover the costs for a new Corporate Headquarters—coming in at a revenue requirement of over $1 billion—that weighs the importance of employee parking and nearby amenities above that of grid resilience and reliability. TECO also wants to charge customers over $33 million annually for short- and long-term employment compensation packages that encourage employees to forego affordability considerations and promote cost increases. Additionally, in 2025 alone, TECO will spend $716 million on new transmission and distribution projects. These projects include the Grid Reliability and Resilience Projects, expensive transmission investments destined for quick obsolescence. Among other increased service charges, TECO also proposes to increase its Initial Service Connection fee to $168.00, well above Florida's inflation rate last year and well above the other Florida IOUs and public utilities.

The Commission should prohibit TECO from using its out-of-step and regressive MDS method that yields a $1.07 per customer per day charge, when that charge should be no higher than $0.43 per customer per day. The Commission should also approve a midpoint ROE of no higher than 9.50% to provide significant affordability improvements without sacrificing reliability. Additionally, the Commission should reject TECO's use of Four CP and MDS and instead permit a Twelve CP and 50% AD method, given, among other reasons, that most of TECO's new generation is solar and thus contributes only minimally to capacity at peak load.

As it stands, TECO's current proposals in this rate case will result in unjust and unreasonable rates in defiance of basic ratemaking principles and Florida law.

IV. Statement of Issues and Positions

As discovery is ongoing and the evidentiary hearing has not yet occurred, all positions are initial positions that are subject to change based on the evidence produced.

2025 TEST PERIOD AND FORECASTING

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

POSITION: Yes, with adjustments.

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

POSITION: No.

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

POSITION: Assumptions used for forecasting customer growth should include Hillsborough County population estimates, Hillsborough County Commercial and Manufacturing employment, building permits, and time-trend variables. Inflation continues to come down and should be assumed to be approximately 2%. Energy sales growth assumptions must not rely on 20-year normalized weather patterns, but should assume that the increasing heat that the Tampa-area is experiencing from climate change will continue and will continue to get worse. If it is TECO's position that this pattern will not continue, then none of the investments TECO is making for "resiliency" (the vast majority of their investments) should be allowed. Customer growth should be assumed to continue at approximately at least 1% per year.

QUALITY OF SERVICE

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

POSITION: No. Per the customer service hearings, there is significant room for improvement. (Service hearing witnesses).

DEPRECIATION AND DISMANTLEMENT STUDY

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

POSITION: Yes. The depreciation rates should be revised to reflect the presently approved service lives for solar assets. The provision for dismantlement should be reduced to remove post-test year escalations of estimated costs, reduce estimated solar site restoration costs, and reflect longer service lives for solar and battery assets. (Kollen)

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

POSITION: January 1, 2025.

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

POSITION: A 20-year service life should be used for Battery Energy Storage System (BESS) assets. A 35-year service life should be used for solar assets. For the depreciation rates for each depreciable plant account, adopt OPC position.

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

POSITION: The Commission has not deemed any specific depreciation rates as appropriate yet, and therefore we cannot calculate the resulting imbalance. That being said, a 35-year depreciation life for solar assets should be used, and a 20-year depreciation life for battery assets.

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

POSITION: Remaining life technique.

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?

POSITION: Yes, although the flowback of ITCs should be accelerated.

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

POSITION: $10,325,056 (Kollen), adjusted to reflect removal of projects that should be disallowed as per the other issues.

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

POSITION: The Commission should limit the dismantlement expense to costs escalated only through the test year and exclude all forecast growth in the dismantlement cost and expense beyond the end of the test year. (Kollen)

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?

POSITION: No. Plant in Service, Accumulated Depreciation, and Working Capital should be adjusted to reflect the removal of at least the following projects from TECO’s proposed rate base: Future Environmental Compliance; Research and

Development; Customer Experience Enhancement; Information Technology Capital; Grid Reliability and Resilience; Corporate Headquarters; South Tampa Resilience; Bearss Operation Center; and Polk 1 Flexibility.

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?

POSITION: No, TECO has not met its burden to show this project is in the customer interest and is reasonable and prudent.

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?

POSITION: No, TECO has not met its burden to show that these projects are in the customer interest and are reasonable and prudent.

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?

POSITION: No, TECO has not met its burden to show that these projects are in the customer interest and are reasonable and prudent.

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?

POSITION: No, TECO has not met its burden to show that these projects are in the customer interest and are reasonable and prudent.

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

POSITION: Yes, as long as TECO can show the projects are cost effective. Any costs associated with these projects that TECO cannot demonstrate are prudent and reasonable should be removed from rate base thus adjusting rate base downward.

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

POSITION: No, TECO has not met its burden to show that these projects are in the customer interest and are reasonable and prudent. (Rábago)

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

POSITION: Yes, as long as TECO can show the projects are cost effective. Any costs associated with these projects that TECO cannot demonstrate are prudent and reasonable should be removed from rate base thus adjusting rate base downward.

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

POSITION: No, TECO has not met its burden to show that this project is in the customer interest and is reasonable and prudent.

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

POSITION: No, TECO has not met its burden to show that this project is in the customer interest and is reasonable and prudent.

<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?

POSITION: No, TECO has not met its burden to show that this project is in the customer interest and is reasonable and prudent.

<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?

POSITION: No, TECO has not met its burden to show that this project is in the customer interest and is reasonable and prudent.

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

POSITION: $12,774,719.

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

POSITION: TECO's requested accumulated depreciation mount should be adjusted to reflect removal of the projects that should be disallowed.

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

POSITION: $0.

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

POSITION: $0.

<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?**

POSITION: $0, as it should not be included in rate base where a return on equity is earned.

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

POSITION: $0. TECO should not be using coal or other fuels that require inventory.

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

POSITION: The Working Capital should be adjusted to remove the Unamortized Rate Case Expense and should be adjusted to reflect other adjustments that have been made.

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

POSITION: Approximately $8,041,526. The rate base should be reduced to reflect the removal of the following projects from 2025 rate base: Future Environmental Compliance; Research and Development; Customer Experience Enhancement; Information Technology Capital; Grid Reliability and Resilience; Corporate

Headquarters; South Tampa Resilience; Bearss Operation Center; and Polk 1 Flexibility.

2025 COST OF CAPITAL

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

POSITION: Adopt OPC position.

ISSUE 34: 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?

POSITION: The ITCs should be flowed back to customers over a ten-year period. The appropriate cost rate is zero, as TECO already receives a return on investment for the capital expenditures associated with the battery assets.

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

POSITION: $99.195 million.

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

POSITION: The Commission should approve a short-term debt amount adjusted downwards to account for a reduced rate base and adjusted upwards for the adjusted 50-50 equity-to-debt ratio. A cost rate of 3.90% should be approved.

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

POSITION: The Commission should approve a long-term debt amount adjusted downwards to account for a reduced rate base and adjusted upwards to account for a 50-50 equity-to-debt ratio. A cost rate of 4.53% should be approved.

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

POSITION: 43.41% to reflect a 50-50 equity-to-debt ratio.

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

POSITION: 9.50%. (Rábago)

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?**

POSITION: The Commission should approve a 50-50 equity-to-debt ratio. The weighted average cost of capital should be adjusted to account for downward rate base adjustments and the adjusted equity-to-debt ratio.

2025 NET OPERATING INCOME

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

POSITION: No.

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

POSITION: Adopt OPC position.

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?**

POSITION: Adopt Sierra Club position.

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?**

POSITION: Adopt Sierra Club position.

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

POSITION: The generation O&M expense for the 2025 test year should be normalized by averaging the actual expense incurred from 2019 through 2023 and the budget and forecast expenses in for 2024 and 2025. This results in a $12.392 million reduction in 2025 planned generation maintenance expense from TECO's proposed expense. (Kollen). The generation O&M expense should also be reduced by about $2.6 million to account for the removal of the following projects from rate base: South Tampa Resilience; Polk 1 Flexibility.

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

POSITION: TECO's requested transmission O&M for 2025 should be reduced to reflect disallowance of Grid Reliability and Resilience Projects.

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

POSITION: TECO's requested transmission O&M for 2025 should be reduced to reflect disallowance of Grid Reliability and Resilience Projects.

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

POSITION: No, it remains TECO's burden to show it has appropriately removed fuel revenues and fuel expenses.

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

POSITION: No, it remains TECO's burden to show it has appropriately removed conservation revenues and conservation expenses.

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

POSITION: No, it remains TECO's burden to show it has appropriately removed capacity revenues and capacity expenses recoverable through the Capacity Cost Recovery Clause.

<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?

POSITION: No, it remains TECO's burden to show it has appropriately removed environmental revenues and environmental expenses recoverable through the environmental cost recovery clause.

<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?

POSITION: No. TECO has not removed all the costs for feeder hardening activities or lateral undergrounding from its rate base. (Mara)

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

POSITION: The amount of salaries and benefits should be reduced to reflect shareholder payment of 50 percent of incentive compensation for 2025. This results in a $17.13 million reduction from TECO's $376.9 million proposed total. (Rábago). Additionally, TECO's proposed total should be reduced by $0.107 million to remove the SERP expense (Kollen).

<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?

POSITION: No. The Commission should reduce the pension and OPEB expense to reflect capitalization credits, resulting in a reduction of $0.489 million in revenue requirement in pension expense and a reduction of $0.806 million in the revenue requirement for the reduction in OPEB expense. (Kollen)

ISSUE 55: 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?

POSITION: A Revised Modified Massachusetts Model (MMM) should be used to allocate affiliate costs and charges using the following inputs: (1) Operating Assets factor; (2) Revenue factor; and (3) Headcount factor. The Revised MMM Rate for TECO should be 67.62%, a 4.96% reduction from TECO's proposed rate. In total, TECO's Shared Service expense should be reduced by $5.50 million from TECO's 2025 Budget amounts. (Ostrander)

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

POSITION: The Directors and Officers (D&O) Liability Insurance expense should be shared equally between customers and shareholders, resulting in a $0.151 million reduction in the D&O Liability Insurance expense. (Kollen)

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

POSITION: $0.

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

POSITION: $0, as this rate case was not for customers.

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

POSITION: O&M expense should be adjusted to reflect the removal of O&M expenses as specified in Issues 43-58.

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

POSITION: Adopt OPC position and then adjusted to reflect the disallowance of projects that do not belong in rate base as reflected in other issue positions.

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

POSITION: Adopt OPC position.

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

POSITION: Adopt OPC position.

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

POSITION: For 2025, TECO should immediately flow Production Tax Credits to its customers. (Kollen)

The costs should also be flowed back to customers on a capacity basis. If the Commission adopts 50% AD, then costs should flow back as 50% energy and 50% capacity.

ISSUE 64: 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?

POSITION: The Production Tax Credits (PTCs) that were deferred in 2022-2024 totaling $0.460 million should go to customers by adding the deferred carrying costs calculated at the allowed return from the prior case to the regulatory liability. The amortization period should be three years. (Kollen)

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

POSITION: The Investment Tax Credits (ITCs) should be treated as if TECO elected and will continue to elect out of normalization requirements. The Commission should also direct TECO to defer the ITCs each year and amortize the deferred ITCs over a ten-year amortization period.

ISSUE 66: **What amount of Income Tax expense should be approved for the 2025 projected test year?**

POSITION: Adopt OPC position.

ISSUE 67: **What is the appropriate amount of Net Operating Income for the 2025 projected test year?**

POSITION: Adopt OPC position, as modified to reflect positions on Issues 41-66.

2025 REVENUE REQUIREMENTS

ISSUE 68: **What is the appropriate revenue expansion factor and net operating income multiplier for the 2025 projected test year, including the appropriate elements and rates?**

POSITION: The revenue expansion factor and net operating income multiplier should be adjusted to reflect a 50-50 equity-to-debt ratio.

ISSUE 69: **What is the appropriate annual operating revenue increase for the 2025 projected test year?**

POSITION: $0. The Commission should deny TECO's requested rate increase.

2025 COST OF SERVICE AND RATES

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

POSITION: Adopt OPC position.

ISSUE 71: **What is the appropriate methodology to allocate production costs to the rate classes?**

POSITION: The Twelve Coincident Peak and 50% Average Demand cost allocation methodology. (Rábago)

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

POSITION: The Twelve Coincident Peak cost allocation methodology. (Rábago)

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

POSITION: The Twelve Coincident Peak cost allocation methodology. (Rábago)

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

POSITION: Changes in the revenue requirement should be allocated among customer classes using a Twelve Coincident Peak and 50% Average Demand methodology. (Rábago).

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

POSITION: No.

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)?

POSITION: TECO's proposed initial connection charge and all proposed reconnection service charges for residential customers should be reduced by 80%. (Rábago)

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

POSITION: Yes.

ISSUE 78: What are the appropriate basic service charges?

POSITION: TECO's basic service charge for residential customers should be no more than $0.43 per customer per day or no more than $13.08 per customer per month. (Rábago)

ISSUE 79: What are the appropriate demand charges?

POSITION: The appropriate residential energy and demand charge should be no more than 8.59 cents/kWh for the first 1,000 kWh and no more than 9.52 cents/kWh for all additional kWh of usage and reduced to reflect the reduced rate base from the disallowance of TECO's proposed investments as reflected in other issues. (Rábago)

ISSUE 80: What are the appropriate energy charges?

POSITION: The appropriate residential energy and demand charge should be no more than 8.59 cents/kWh for the first 1,000 kWh and no more than 9.52 cents/kWh for all additional kWh of usage and reduced to reflect the reduced rate base from the disallowance of TECO's proposed investments as reflected in other issues. (Rábago)

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

POSITION: No position.

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

POSITION: Even though the rate increase should be denied, these rates should be increased to reflect a 12CP and 50% AD cost of service.

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

POSITION: Yes.

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

POSITION: Yes.

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

POSITION: No, although other modifications should be made.

<u>ISSUE 86</u>: 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?

POSITION: No.

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

POSITION: No.

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

POSITION: No, the entire Rider should be stricken.

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

POSITION: Yes.

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

POSITION: No position.

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

POSITION: No position.

<u>ISSUE 92</u>: Should the non-rate related tariff modifications be approved?

POSITION: No.

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

POSITION: No.

<u>2026 AND 2027 SUBSEQUENT YEAR ADJUSTMENTS (SYA)</u>

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

POSITION: SYAs, if ever authorized, should be based on very specific, large, usually singular, generation investments. These SYAs should not be approved. If the Commission does approve an SYA, the Commission should apply the factors proposed by OPC to establish a framework, limitations, guidance, and customer protections when assessing which projects and costs, if any, should be included in an SYA.

<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?

POSITION: If the SYA is approved, then yes, with the following solar-specific adjustments: a 35-year service life of the assets; use of a 9.50% ROE. (Kollen)

<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?

POSITION: No.

<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?

POSITION: No.

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

POSITION: If the SYA is approved, yes, with the following battery-specific adjustments: a 20-year service life of the assets; reflection of the assets as cost-free capital in the cost of capital applied to rate base; use of a 9.50% ROE. (Kollen). A ten-year ITC amortization period should also be used.

<u>ISSUE 99</u>: 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?

POSITION: No.

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

POSITION: No.

<u>ISSUE 101</u>: 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?

POSITION: No.

<u>ISSUE 102:</u> 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?

POSITION: No.

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

POSITION: If the Commission approves the SYAs, the rate of return should be adjusted to reflect the reduced rate base and adjusted capital structure.

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

POSITION: If the Commission approves the SYAs, then yes. The 2026 SYA should be reduced by $7.994 million, and the 2027 SYA should be reduced by $6.123 million to reflect additional revenues due to customer growth. (Kollen)

<u>ISSUE 105</u>: 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?

POSITION: No.

<u>ISSUE 106</u>: 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?

POSITION: Yes.

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

POSITION: $0.

<u>ISSUE 108</u>: What rate design approach should be used to develop customer rates for the SYA?

POSITION: If the Commission approves the SYA, then 12 CP + 50% AD should be used to allocate the increased revenue requirement.

<u>ISSUE 109</u>: When should the 2026 and 2027 SYA become effective?

POSITION: Never. If the Commission approves the SYAs, then January 1, 2026, and January 1, 2027.

<u>ISSUE 110</u>: 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?

POSITION: Yes, if the Commission approves the 2026 and 2027 SYAs.

<u>OTHER</u>

<u>ISSUE 111</u>: Should TECO's proposed Corporate Income Tax Change Provision be continued?

POSITION: No.

<u>ISSUE 112</u>: Should TECO's proposed Storm Cost Recovery Provision be continued?

POSITION: No.

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

POSITION: No.

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

POSITION: CETM should be discontinued.

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

POSITION: No, the Program should not be approved as-is with its associated cost recovery mechanism.

<u>ISSUE 116:</u> 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?

POSITION: Adopt Sierra Club position.

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

POSITION: No effective date should be applicable because the Commission should deny TECO's petition for rate increase. If the Commission does not outright deny the petition, then January 1, 2025.

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

POSITION: No, not at this time. However, the Commission has a duty to consider these statutes. The Commission should consider TECO's performance adequate, but since TECO does minimal energy efficiency as compared to national standards, no adjustments are warranted. (Marcelin)

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?**

POSITION: No, because TECO's petition for rate increase should be denied. If the Commission does not outright deny the petition, then yes.

ISSUE 120: **Should this docket be closed?**

POSITION: Yes, after the Commission denies TECO's petition for rate increase.

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?**

POSITION: Adopt Sierra Club position.

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?**

POSITION: Adopt Sierra Club position.

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?**

POSITION: Adopt Sierra Club position.

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?**

POSITION: Adopt Sierra Club position.

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

POSITION: Adopt Sierra Club position.

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

POSITION: In order to set fair and reasonable rates, the Commission would be remiss not to consider the affordability of customer bills, which involves, in part, assessing the energy burdens of TECO's customers. In other words, the Commission should consider the extent to which energy bills constitute a share of customers' household incomes---the higher the share, the greater the energy burden. Because customers with high energy burdens, primarily low-income customers, are vulnerable to rate and bill volatility, unaffordable electric bills can create a cascade of household economic problems. Further, TECO's customers living at or below the poverty level experiencing high energy burdens cannot simply reduce their energy consumption or invest in energy efficiency measures to cut back on bills, and customers living in rental properties have even less control over the heating and cooling arrangements in their homes. Beyond economic problems, unaffordable electricity bills implicate social and public health issues. Thus, the Commission should also consider affordability in the context of the broader affordability crisis TECO customers are facing---from housing to food to insurance costs---and in the context of changing weather patterns, such as an increased number of extreme heat days each year. Consideration of energy burden and affordability in this rate case, and denial of increased rates, means more TECO customers may not have to choose between electricity and no electricity or choose electricity over medication, food, rent, and other necessities. (Rábago) (Marcelin)

Additionally, state and local governments and public utilities commissions are increasingly considering energy affordability in regulation and public policy. New York recently adopted a statewide goal of achieving a six percent energy burden, the common threshold at which energy bills are deemed unaffordable. Additionally, the California Public Utilities Commission developed an affordability metric for essential services, and the Pennsylvania Public Utility Commission has examined and established maximum energy burdens for customers. (Dismukes)

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

POSITION: If the Commission approves TECO's rate increases, TECO's lowest users of electricity, primarily low-income customers, will experience shocking base rate and bill increases compared to wealthier customers using significantly more energy. Additionally, TECO plans to increase the daily per-customer fixed charge by 51% from $0.71 to $1.07. In 2023, TECO's residential customers averaged 1,157 kWh of usage, resulting in an average 2023 bill of $191.95. Due to decreased fuel prices and reduced storm recovery charges, under TECO's proposed rates, its 2025 bill would cost $184.25 with the same 1,157 kWh usage, rising to $196.96 in 2027 with the proposed SYAs. However, this number could be dramatically higher when fuel prices rise and if a storm (or storms) hit TECO's service area from now through the end of 2027. (Rábago) (Marcelin)

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?**

POSITION: Yes, with the additional measures in place as proposed by OPC. (Ostrander)

V. Stipulated Issues

None.

VI. Pending Motions or Other Matters

None.

VII. Pending Request or Claims for Confidentiality

None.

VIII. Objections to Witness' Qualifications as an Expert

None.

IX. Request for Sequestration of Witnesses

None.

X. Compliance with Order Establishing Procedure

Florida Rising and LULAC have complied with all applicable requirements of the order establishing procedure in this docket.

RESPECTFULLY SUBMITTED this 22nd day of July, 2024.

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy and correct copy of the foregoing was served on this 22nd day of July, 2024, via electronic mail on:

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DATED this 22nd day of July, 2024.

/s/ Bradley Marshall
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