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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 20240026-EI

Petition for rate increase by Tampa Electric Company.
_______________________________________/

DOCKET NO. 20230139-EI

Petition for approval of 2023 depreciation and dismantlement study, by Tampa Electric Company.
_______________________________________/

DOCKET NO. 20230090-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.
_______________________________________/

VOLUME 14 - PAGES 3110 - 3302

PROCEEDINGS: HEARING

COMMISSIONERS PARTICIPATING: CHAIRMAN MIKE LA ROSA
COMMISSIONER ART GRAHAM
COMMISSIONER GARY F. CLARK
COMMISSIONER ANDREW GILES FAY
COMMISSIONER GABRIELLA PASSIDOMO

DATE: Thursday, August 29, 2024

TIME: Commenced: 8:00 a.m.
Concluded: 7:00 p.m.

PLACE: Betty Easley Conference Center
Room 148
4075 Esplanade Way
Tallahassee, Florida

TRANSCRIBED BY: DEBRA R. KRICK
Court Reporter and
Notary Public in and for
the State of Florida at Large

APPEARANCES: (As heretofore noted.)

I N D E X

EXHIBITS

NUMBER:		ID	ADMITTED
29	As identified in the CEL		3172
149	As identified in the CEL		3172
665	As identified in the CEL		3172
30	As identified in the CEL		3259
150	As identified in the CEL		3259
33	As identified in the CEL		3300
554	As identified in the CEL		3300
634	As identified in the CEL		3300
696	As identified in the CEL		3300

P R O C E E D I N G S

(Transcript follows in sequence from Volume 13.)

CHAIRMAN LA ROSA: All right. Good afternoon, everybody. Welcome back to our post lunch portion.

So we are back with TECO and their witnesses. To best organize, I am going to go to them and see if we can potentially maybe take some witnesses out of order, but I will recognize TECO.

MR. WAHLEN: Thank you, Mr. Chair.

We thought about it over the lunch break, and would suggest for the parties' consideration and the Commission's that we begin with Mr. Heisey this afternoon, and then Ms. Strickland and then go with Ms. Sizemore. And then that would leave Mr. Chronister and Mr. Williams to wrap us up. We are hoping that Ms. Sizemore will not take as much time as the last two witnesses.

I mentioned that I think to at least one of the lawyers who I think has cross examination, hopefully that will not be disruptive to people, but that's our suggestion.

CHAIRMAN LA ROSA: I am going to ask if there is any objections to that, to just kind of managing of the next few hours of the day.

MR. WRIGHT: Fine by us, Mr. Chairman. Thank you very much.

Thank you, Mr. Wahlen.

CHAIRMAN LA ROSA: Okay. OPC, LULAC, Walmart, is that all right?

MR. MARSHALL: We are good. Thank you, Mr. Chair.

MS. EATON: That's fine. Thank you.

CHAIRMAN LA ROSA: Okay. Awesome.

FEA, FIPUG?

CAPTAIN GEORGE: All good, Mr. Chairman.

MR. MOYLE: That's fine by FIPUG, Mr. Chair.

And if I could just say, having just gone through all of the interviewing the witnesses, thank you and other parties and staff to accommodate us in that way. I thought it went well in terms of having them go, and so it was efficient, so thank you for making that adjustment.

CHAIRMAN LA ROSA: Well, and no, and I thank everybody for being, you know, workable throughout the whole week. I mean, right? It's -- you know, I want to try to get this done in a week. I mean, we are -- I think we are getting to the point to where it looks like that's going to be a possibility. We had to reshuffle deck, and that takes everyone's help, so I appreciate everyone.

OPC.

MR. REHWINKEL: Mr. Chairman, I want to especially thank you and your office for facilitating this. Our witnesses all are paid by public money, taxpayer money, and what you did, what Tampa Electric did, the other parties did to facilitate their appearance today saves customers money and the taxpayers money. We appreciate that. Thank you.

CHAIRMAN LA ROSA: Absolutely. Happy to accommodate, of course, when we can, so thank you guys. It's a pleasure to work with everyone on this so far.

So I think we are good. I am going to throw it back to TECO to introduce their next witness.

MR. MEANS: Thank you, Mr. Chairman.

Tampa Electric calls John Heisey, and he is already on the stand.

CHAIRMAN LA ROSA: Great. Mr. Heisey, welcome.

If you don't mind standing and raising your right hand and take the oath?

Whereupon,

JOHN HEISEY

was called as a witness, having been first duly sworn to speak the truth, the whole truth, and nothing but the truth, was examined and testified as follows:

THE WITNESS: Yes.

CHAIRMAN LA ROSA: Excellent. Thank you. And welcome, and we are ready when you guys are.

EXAMINATION

BY MR. MEANS:

Q Good afternoon, Mr. Heisey. Can you please state your full name for the record?

A John Heisey.

Q And you were just sworn, correct?

A Yes.

Q Who is your current employer, and what is your business address?

A Tampa Electric. 702 North Franklin Street, Tampa, Florida.

Q Did you prepare and caused to be filed in this docket, on April 2nd, 2024, prepared a direct testimony consisting of 15 pages?

A Yes.

Q And did you prepare and caused to be filed in this docket, on July 2nd, 2024, prepared rebuttal testimony consisting of eight pages?

A Yes.

Q Do you have any additions or corrections to your prepared direct or rebuttal testimony?

A No.

Q If I were to ask you the questions contained your prepared direct and rebuttal testimony today, would your answers be the same?

A Yes.

MR. MEANS: Mr. Chairman, Tampa Electric requests that the prepared direct and rebuttal testimony of Mr. Heisey be inserted into the record as though read.

CHAIRMAN LA ROSA: Okay.

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

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

JOHN HEISEY

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

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

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

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

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

A. I graduated from Pennsylvania State University with a Bachelor of Science in Business Logistics. I have over 25 years of power and natural gas trading experience, including employment at TECO Energy Services, FPL Energy Services, El Paso Energy, and International Paper. Prior to joining Tampa Electric, I was Vice President of Asset Trading for the Entegra Power Group LLC ("Entegra"), where I was responsible for Entegra's energy trading activities. Entegra managed a large quantity of merchant capacity in bilateral and organized markets. I joined Tampa Electric in September 2016 as the Manager of Gas and Power Trading. I have held the position of Director Origination and Trading since August 2021.

Q. What are the purposes of your direct testimony?

A. My direct testimony describes Tampa Electric's Asset Optimization Mechanism and explains why it should be continued after the company's 2021 Stipulation and Settlement Agreement expires on December 31, 2024.

Q. Have you prepared an exhibit to support your direct testimony?

A. Yes. Exhibit No. JH-1 entitled "Exhibit of John Heisey" was prepared under my direction and supervision. The contents of my exhibit were derived from the business records of the company and are true and correct to the best of my information and belief. It consists of one document, as follows:

Document No. 1 Asset Optimization Mechanism Results 2018-2023

Q. Are you sponsoring any sections of Tampa Electric's Minimum Filing Requirement ("MFR") Schedules?

A. No.

Q. How does your testimony relate to the testimony of other Tampa Electric witnesses?

A. Tampa Electric witness Archie Collins explains how the Asset Optimization Mechanism and the sale of RECs help lower customer bills.

Tampa Electric witness Carlos Aldazabal explains how proposed solar projects will fit into the generation portfolio and lower customer fuel costs. He also details the improved thermal efficiency in the generation portfolio. Tampa Electric witness Kris Stryker describes the proposed solar projects in detail.

My direct testimony proposes to add gains from the sale of RECs produced by solar generating assets to the Asset Optimization Mechanism where other optimization activities occur for the benefit of customers. These proposed additions to the Asset Optimization Mechanism, and their associated gains, will offset declining optimization areas, such as economic power purchases, as thermal efficiency improves in the generation portfolio.

ASSET OPTIMIZATION MECHANISM

Q. What is the Asset Optimization Mechanism?

A. The Asset Optimization Mechanism is a regulatory tool that incents Tampa Electric to achieve mutual benefits for the company and its customers by engaging in activities such as wholesale power transactions and sales of stored natural gas during non-critical demand seasons. Under the Asset Optimization Mechanism, gains on these and other similar activities are shared between shareholders and customers.

Q. What is the history of the Asset Optimization Mechanism?

A. Tampa Electric operated under a Florida Public Service Commission ("Commission") approved incentive program for wholesale energy sales from 1984 to 2000. The initial incentive program, adopted in 1984, authorized the company to retain twenty percent of gains on wholesale energy sales. In 2000, the Commission extended and modified the existing wholesale energy sales incentive program in Order No. PSC-2000-1744-PAA-EI.

On June 30, 2016, Tampa Electric filed a petition in Docket No. 20160160-EI requesting the Commission to expand the existing wholesale energy sales incentive to encompass asset optimization activities such as gas storage utilization and delivered gas sales. Before the Commission issued an order addressing that petition, the company entered into a settlement known as the 2017 Agreement with several consumer parties. In the 2017 Agreement, the parties consented to Commission approval of the program for a four-year period beginning January 1, 2018. The Commission approved the 2017 Agreement in Order No. PSC-2017-0456-S-EI.

Tampa Electric resolved its last base rate case by entering into the 2021 Stipulation and Settlement Agreement ("2021 Agreement"), which was approved by the Commission in Order

No. PSC-2021-0423-S-EI. Paragraph 12 of the 2021 Agreement approved an extension of the Asset Optimization Mechanism through December 31, 2024 with modifications to exclude the release of natural gas pipeline capacity and the retirement or release of railcars as activities eligible for the Asset Optimization Mechanism.

Q. What is the current structure of the Asset Optimization Mechanism?

A. Under the current Asset Optimization Mechanism, gains on eligible activities up to $4.5 million are retained by customers. Gains between $4.5 million and $8 million are split, with 60 percent of gains allocated to the company's shareholders and 40 percent allocated to customers. Gains above $8 million are also split, with 50 percent of gains allocated to shareholders and 50 percent of gains allocated to customers.

Q. What activities are eligible for inclusion under the current Asset Optimization Mechanism?

A. Gains on the company's wholesale sales, short-term wholesale purchases, and optimization activities are eligible for the program. Optimization activities include efforts such as:

- **Gas Storage Utilization** – Release of contracted storage space or sales of stored natural gas during non-critical demand seasons.

- **Delivered Gas Sales Using Existing Transport** – Sales of natural gas to Florida customers using Tampa Electric's existing natural gas transportation capacity during periods when it is not needed to serve the company's native electric load.

- **Delivered Solid Fuel and/or Transportation Capacity Sales Using Existing Transport** – Sales of coal and coal transportation using Tampa Electric's existing coal and transportation capacity during periods when it is not needed to serve Tampa Electric's native electric load.

- **Production (Upstream) Area Sales** – Sales of natural gas in the natural gas production areas using Tampa Electric's existing natural gas transportation capacity during periods when it is not needed to serve the company's native electric load.

- **Asset Management Agreement** – Outsourcing of optimization functions to a third party through assignment of power, transportation, and/or storage rights in exchange for a premium paid to Tampa Electric.

Q. Has Tampa Electric incurred incremental costs associated with the incentive program?

A. Yes. Tampa Electric incurred incremental labor costs to establish processes and manage the optimization activities. In Tampa Electric's 2016 petition seeking approval of the program, the company stated that it would not request cost recovery for incremental expenses to implement the Asset Optimization Mechanism. As a result, the company does not track these costs separately.

Q. How are gains tracked and reported to the Commission?

A. Tampa Electric tracks and reports all gains achieved in the prior year on a "Total Gains Schedule" that is included as a part of the company's annual final true-up filing in the fuel and purchased power cost recovery clause ("fuel clause") docket. The company also includes a description of each activity included in the Total Gains Schedule for the prior year in the final true-up filing. The Commission reviews the amounts and activities listed in the filing to determine whether they are eligible for inclusion in the program.

Q. What mechanism does the company use to apportion gains and deliver the customers' share of those gains?

A. The Total Gains Schedule shows the customers' portion of total gains which directly benefits customers in the current period as a credit to the fuel clause. Tampa Electric receives approval to recover its portion of the total gains through adjustments to the fuel clause factors during the following year and recovers its portion of the gains during the year after that.

Q. Has the Asset Optimization Mechanism resulted in gains for customers since its inception in 2018?

A. Yes. Exhibit JH-1 summarizes customer benefits and total gains for the Asset Optimization Mechanism in 2018 through 2023.

Q. Has the Asset Optimization Mechanism achieved its original goals?

A. Yes. The Asset Optimization Mechanism was designed to create additional value for Tampa Electric's customers while incenting the company to maximize gains on power transactions and optimization activities. This program has generated over $45 million in benefits to customers over the last six years, so Tampa Electric believes it was a success.

Q. Should the Commission extend the Asset Optimization Mechanism beyond the expiration of the 2021 Agreement?

A. Yes. Given the success of the Asset Optimization Mechanism in generating benefits for Tampa Electric's customers, the company believes the program should continue beyond the expiration date of the 2021 Agreement on December 31, 2024.

Q. Is the company proposing any modifications to the Asset Optimization Mechanism at this time?

A. Yes. Tampa Electric proposes two modifications to the existing Asset Optimization Mechanism. First, the company proposes to make the release of natural gas pipeline capacity an eligible activity under the Asset Optimization Mechanism, as it was prior to the 2021 Agreement. Second, the company proposes to include the sale of RECs as an eligible activity.

Q. Please describe the release of natural gas pipeline capacity.

A. Tampa Electric could sell temporarily available gas transportation capacity for short periods when it is not needed to serve Tampa Electric's native electric load.

Q. How does release of natural gas pipeline capacity benefit customers?

A. Tampa Electric has a portfolio of pipeline transportation agreements on five interstate pipelines with various durations and quantities of firm capacity. Any time Tampa Electric has excess capacity that is not needed to serve Tampa Electric's native electric load, Tampa Electric will look for opportunities to release capacity, and flow those gains generated by the capacity release back to our customers through the Asset Optimization Mechanism. These gains lower fuel expenses for our customers.

Q. What steps would the company take to mitigate fuel supply risk from the release of natural gas pipeline capacity?

A. Tampa Electric would only release capacity for short-term periods (less than one year) and on the basis that it is recallable to serve Tampa Electric's native load if needed. For the long-term release of capacity through an Asset Management Agreement, the agreement would be structured to ensure that Tampa Electric has access to the same firm gas supply and transportation, that it would otherwise have, if the Asset Management Agreement was not in place.

Q. Please describe RECs and explain how they can be monetized.

A. RECs are environmental attributes from renewable generation. Each MWh of renewable generation equals one RECs. Tampa Electric's solar generating assets produce RECs. Currently, these RECs are sold by Tampa Electric to companies or brokers in a voluntary market. Companies are buying these RECs to meet their own renewable goals. Under the terms of the 2021 Agreement, Tampa Electric currently returns all revenues from the sale of these RECs to customers through the Environmental Cost Recovery Clause. Tampa Electric proposes that all revenues from the sale of RECs would be included in the Asset Optimization Mechanism after the 2021 Agreement expires on December 31, 2024.

Q. How would the sale of RECs benefit Tampa Electric customers?

A. Any revenue associated with RECs sales would flow to customers as gains through the Asset Optimization Mechanism. These gains lower fuel expenses for our customers.

Q. What risks are there associated with the sale of RECs and how would the company mitigate those risks?

A. Tampa Electric will only sell historical (or generated) RECs that are not needed for a Tampa Electric retail program. Also, Tampa Electric will not execute forward RECs sales. Thus, if state or federal rules change surrounding renewable portfolio standards, Tampa Electric can quickly stop our RECs sales activity to comply with any mandates.

Q. Are other companies in Florida selling RECs?

A. Yes. The Commission approved Florida Power & Light's ("FPL") modification to its Asset Optimization Mechanism to include monetizing RECs in PSC Order No. PSC-2021-0446-S-EI on December 2, 2021 in Docket No. 20210015-EI. FPL is currently selling RECs and the gains are flowing into their Asset Optimization Mechanism.

Q. Is the company proposing any changes to the revenue-sharing thresholds for the Asset Optimization Mechanism?

A. No. Although selling RECs will provide some additional benefits for customers, the value of RECs in the voluntary market is low, and additional renewable energy penetration will continue downward pressure on voluntary RECs values. In addition, the gains from selling RECs will be offset with a decrease in economic purchase power gains, as Tampa Electric's fleet efficiency increases with the Big Bend modernization and future solar generation. The value of capacity release is uncertain, especially in a low fuel price environment, but could provide some customer gains. When capacity release was part of our Asset Optimization Mechanism from 2018 to 2021, Tampa Electric was either not in a position to release capacity or the value of the capacity release market did not provide any incremental benefit to our customers. Nevertheless, Tampa Electric wants to be in a position to extract benefits for our customers if market conditions change.

Q. What is Tampa Electric's proposed effective date for the Asset Optimization Mechanism?

A. The proposed effective date is January 1, 2025.

SUMMARY

Q. Please summarize your direct testimony.

C14-1392

A. The Asset Optimization Mechanism provided customer benefits of over $45 million in the first six years of operation. The addition of 1) capacity release of gas pipeline transportation and 2) RECs sales to the Asset Optimization Mechanism would allow customers to benefit from additional forms of asset optimization. Tampa Electric believes the program incents the company to engage in beneficial transactions that result in lower fuel expense for our customers. Tampa Electric believes the program should continue until the Commission terminates or the company proposes to modify or terminate the program.

Q. Does this conclude your direct testimony?

A. Yes, it does.

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

TECO
TAMPA ELECTRIC
AN EMERA COMPANY

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 20240026-EI

PETITION FOR RATE INCREASE
BY TAMPA ELECTRIC COMPANY

REBUTTAL TESTIMONY AND EXHIBIT
OF
JOHN HEISEY

D11-756

TAMPA ELECTRIC COMPANY
DOCKET NO. 20240026-EI
FILED: 07/02/2024

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

REBUTTAL TESTIMONY

OF

JOHN HEISEY

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

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

Q. Are you the same John Heisey who filed direct testimony in this proceeding?

A. Yes.

Q. Have your title and duties and responsibilities changed since the company filed your prepared direct testimony on April 2, 2024?

A. No.

Q. What are the purposes of your rebuttal testimony?

A. My rebuttal testimony responds to claims of the Florida Industrial Power Users Group witness Jonathan Ly that the net present value benefits that would be achieved by the Future Solar Projects are based upon an inaccurate fuel price forecast.

Q. Have you prepared an exhibit supporting your rebuttal testimony?

A. Yes. Rebuttal Exhibit No. JH-2, entitled "Rebuttal Exhibit of John Heisey," was prepared by me or under my direction and supervision. The contents of this rebuttal exhibit were derived from the business records of the company and are true and correct to the best of my information and belief. My rebuttal exhibit consists of the following three documents:

Document No. 1	Average Natural Gas Forecast at Henry Hub
Document No. 2	LNG Export Growth
Document No. 3	Data Center Growth

I. NATURAL GAS FORECASTS

Q. Mr. Ly asserts that the net present value benefits claimed by the company to be achieved by the Future Solar Projects are based upon, in part, inflated natural gas prices. Do you agree with this assertion?

A. No. Tampa Electric's fuel forecasting process is reasonable and uses public (NYMEX, EIA) and private (S&P Global) data that are widely recognized in the industry. The reasonableness of Tampa Electric's forecasting process is best illustrated by its consistency with the EIA Reference case forecast, which is acknowledged across the industry as a benchmark forecast.

Q. Describe how the company forecasts natural gas prices.

A. Tampa Electric's fuel forecast methodology uses market indicators and public and private fuel forecasts to produce a 30-year fuel forecast for all energy commodities. The methodology uses the NYMEX to estimate near-term prices (one to five years), a private forecast from S&P Global for mid-term prices (six to 20 years), and a public forecast from the EIA to produce the last 10 years of the 30-year forecast, specifically for natural gas. The source data is blended to transition between time periods. The resulting fuel price forecasts, including high and low internal fuel forecasts, are compared to independent sources such as NYMEX, EIA, and

S&P Global for reasonableness. Tampa Electric has employed a consistent fuel forecasting methodology for the last 15 years.

Q. On page 9 of his testimony, Mr. Ly lists natural gas price futures data. Does Tampa Electric use any of the forecasts listed in Mr. Ly's table?

A. Yes. Tampa Electric uses both the EIA Reference gas forecast and NYMEX Futures prices listed in Mr. Ly's Table 2.

Q. How do the forecast prices shown on page 9 of Mr. Ly's testimony compare to Tampa Electric's fuel price forecast?

A. The prices cannot be compared to each other as the EIA Reference or High Oil & Gas Supply forecasts and the NYMEX Futures prices are based on prices at the Henry Hub location, whereas the Tampa Electric base forecast is a dispatch price based on prices at Florida Gas Transmission ("FGT") Zone 3, which trades at a premium to Henry Hub, and also includes variable pipeline expenses like fuel and commodity charges.

D11-760

Q. Is it possible to make an "apples to apples" comparison between Mr. Ly's data and Tampa Electric's fuel price forecast?

A. Yes. In my Rebuttal Exhibit No. JH-2, Document No. 1, the Average Natural Gas Forecast at Henry Hub compares the Tampa Electric 30-year natural gas forecasts at the Henry Hub to the EIA Reference gas forecast, which reflects the agency's base case assumptions as Mr. Ly states on page 9 of his testimony. The comparison is shown for the last five years. For four of the last five years, Tampa Electric's natural gas forecasts have been below the EIA Reference forecast for the 30-year term and most 10-year intervals. In the 2022 Tampa Electric forecast, the first 10-year interval moves above the EIA Reference case, and that pattern continues in the 2023 Tampa Electric forecast.

Q. Why are the near and mid-term intervals for the Tampa Electric natural gas forecast starting to move above the EIA Reference Case forecast?

A. As illustrated in Document No. 2 to my rebuttal exhibit, U.S. LNG exports will double over the next five years. This will create competition for domestic gas supply and

D11-761

force higher cost gas production to come online to meet demand, which could result in higher prices. Tampa Electric uses a private forecast from S&P Global for years six to 20, and the uncertainty around LNG exports has driven their forecast higher. Although there is less of an impact in our most recent fuel forecast, there is a considerable amount of uncertainty surrounding Artificial Intelligence and data center demand over the next five to 10 years and the fuels necessary to meet that demand. I provide a recent projection of data center demand growth, particularly over the next 10 years, from S&P Global in Document No. 3 of my rebuttal exhibit. Both factors will have a significant impact on natural gas prices over the next five to 10 years and could result in higher natural gas prices. Tampa Electric supports its latest forecast and the consistent methodology that has been in place over the last 15 years.

Q. Are the EIA's Reference natural gas prices consistently overstated, as claimed in Mr. Ly's Exhibit JL-3?

A. No. Based on Exhibit JL-3, the EIA Reference forecast was (1) approximately equal to the actual spot gas price in 2017 and 2018, (2) overstated in years 2019, 2020 and 2023 and (3) understated in years 2021 and 2022. The EIA

Reference forecast in Exhibit JL-3 does not appear to be "consistently" overstating natural gas prices if three years are overstated, two years are understated, and in two years they are approximately equal.

Q. Should Tampa Electric use the EIA High Oil and Gas Supply Scenario to develop its natural gas forecast?

A. No. The EIA, which produces the EIA Reference and High Oil and Gas Supply Scenario natural gas forecast in its Annual Energy Outlook, is a well-respected agency, and the forecasts and other data generated by the agency are widely used across the energy industry. Tampa Electric is confident that the EIA wants its Reference Case natural gas forecast to align with actual prices and will make necessary modeling adjustments to minimize any differences. In 2024, the EIA is not producing the Annual Energy Outlook as it is taking some time to enhance long-term modeling capabilities. Finally, based on the LNG export growth and demand for AI and data centers expected over the next five to 10 years, Tampa Electric does not think it would be prudent to use the most recent EIA High Oil and Gas Supply Scenario natural gas forecast as shown on Mr. Ly's Exhibit JL-2, since it is lower than the lowest EIA Reference Case forecast for the next 10 years as shown in Mr. Ly’s Exhibit JL-3.

II. SUMMARY

Q. Please summarize your rebuttal testimony.

A. My rebuttal testimony addressed the statements made by witness Jonathan Ly regarding Tampa Electric’s fuel price forecast. Tampa Electric stands behind its fuel forecasting methodology as reasonable, consistent, and sound as it relates to the cost effectiveness of Future Solar Projects or any other business needs requiring fuel forecasts. Tampa Electric’s natural gas forecast compares well with the EIA Reference case forecast, which is recognized across the industry as a benchmark forecast.

Q. Does this conclude your rebuttal testimony?

A. Yes, it does.

D11-764

BY MR. MEANS:

Q Mr. Heisey, did you also prepare and caused to be filed with your direct testimony an exhibit marked JH-1, consisting of one document?

A Yes.

Q Did you also prepare and caused to be filed with your rebuttal testimony an exhibit marked JH-2, consisting of three documents?

A Yes.

MR. MEANS: Mr. Chairman, we would note for the record that those exhibits have been identified on CEL as Exhibits 29 and 149.

CHAIRMAN LA ROSA: Okay.

BY MR. MEANS:

Q Mr. Heisey, did you prepare a summary of your direct and rebuttal testimony?

A Yes.

Q Would you please provide that now?

A Sure.

Good afternoon, Commissioners. My direct testimony presents Tampa Electric's asset optimization mechanism, and explains why it should be continued after the company's 2021 stipulation and settlement agreement expires on December 31st, 2024.

Under the asset optimization mechanism, gains of over four-and-a-half million annually from activities such as wholesale power sales and delivered gas sales are shared between Tampa Electric and its customers. Over the last six years, this program has delivered over 45 million in benefits to Tampa Electric customers, which is good for affordability, as this results in lower bills for our customers.

Tampa Electric proposes that the Commission should authorize the continuation of the mechanism with a modification to allow for capacity releases of gas pipeline transportation and renewable energy credit sales as eligible activities under the mechanism.

My rebuttal testimony responds to claims from FIPUG witness Jonathan Ly that the net present value benefits of the company's proposed future solar projects are based on an inaccurate fuel forecast.

As I explain in my rebuttal testimony, the company's fuel forecasting process is reasonable. It is sound. It uses public and private data that are widely recognized across the energy industry. Tampa Electric has employed a consistent fuel forecasting methodology for the last 15 years.

This concludes my summary. Thank you.

MR. MEANS: We tender the witness for the cross-examination.

CHAIRMAN LA ROSA: Thank you.

OPC.

MR. REHWINKEL: Thank you, Mr. Chairman.

EXAMINATION

BY MR. REHWINKEL:

Q Good afternoon, Mr. Heisey. It's good to see you again.

A Good to see you.

Q Can we call it OA -- AOM, the asset optimization mechanism?

A Let's call it the AOM.

Q Okay. And would you just take a minute to tell the Commissioners why you are the Tampa Electric employee who is the best person to present testimony on this issue?

A The AOM, and the performance and execution of all transactions under the AOM are the responsibility of my team.

Q Thank you.

And your foundational basis for requesting approval for the AOM in this base rate case is that it is in the existing settlement agreement which is about to expire?

A Yes.

Q Just -- I don't want to go through all the

documents if we don't have to, but the genealogy of the AOM that exists today for Tampa Electric is that you filed a petition with the Commission and, maybe in 2013, and then withdrew it and filed another petition in 2016. And before it could be acted upon, the company settled the base rate case and included it in the 2017 agreement. And then it was -- then in a negotiated 2021 agreement, it was continued and somewhat modified, is that right?

A Yes.

Q In the 2016 -- now, would it be also correct to say that the 2017 agreement adopted the proposed pilot program, the four-year pilot that was the proposal in the 2016 petition, what raised the threshold for sharing a million dollars?

A Yes.

Q And in that petition, as adopted into the 2017 agreement, the proposal was for the sharing of the AOM benefits to occur in the fuel docket; is that right?

A Yes.

Q Can you tell me why a base rate case is the appropriate forum for the Commission to consider an item that is a part of the fuel docket?

A I don't have an opinion on that. However, this is the proceeding where we have asked for the continuation of those AOM mechanism.

Q Okay. Would it be fair to say that there is not a discernible or incremental revenue requirement associated with the AOM presented in this docket, to your knowledge?

A That's correct.

Q In the 27 -- the 2021 settlement agreement, which is in effect today, the parties agreed to continue threshold for sharing at $4.5 million compared to the 2017 agreement. No change, right?

A Yes, no change.

Q It's also true that this settlement agreement negotiated by the parties established a strict three-year term, which, as your testimony notes, expires on December 31st, 2024; right?

A Yes.

Q And I think you would agree with me that the AOM for Tampa Electric only exists as a product of a negotiated settlement, is that right?

A So far, yes.

Q And you are asking the Commission to extend a provision of a negotiated settlement agreement, right?

A Yes.

Q Okay. Now, you would agree with me that all three electric utilities, large IOUs in Florida, have or

are authorized to have an AOM-type mechanism today?
A I do know that FPL has an AOM mechanism. I am unsure -- and I don't think Duke has one right now.
Q Duke is authorized to have one, are they not?
A That could be -- that's possible.
Q And would you agree that Tampa Electric's 2017 and 2021 AOM mechanisms were the product of give and take in the negotiations?
A Yes.
Q And would you assume, since it happened with Tampa Electric, that for FP&L, the existence of AOM in the FPL agreement was also the product of give and take in a settlement?
A I would assume that, yes.
Q And to the extent that Duke Energy has an AOM as a result of their 2024 settlement agreement, you would assume that is a product of give and take in negotiations, right?
A Yes.
Q In your proposal to extend the AOM beyond 12/31/24, has there been any give and take negotiations?
A No.
Q And what you have also -- have you changed the threshold for sharing in what you are proposing to do in this agreement?

A No.

Q I mean, I should say in your testimony.

A No.

Q Okay. And, in fact, isn't it true that you are asking the Commission, in addition to extending a negotiated settlement provision, to add two additional types of assets for inclusion in the sharing?

A That is correct.

Q You are not proposing to give up some of the $287 million revenue requirement in order to gain this extension, are you?

A No.

Q You are not proposing to give us some of the 11.5 ROE that's proposed, correct --

A No.

Q -- in order to get the extension?

A No.

Q Would you agree with me that no investor-owned electric utility in Florida has received approval by the Commission for an AOM mechanism as a result of a litigated hearing on just the AOM?

A I think that's accurate. I don't know all the details, but that -- I am going to go with you on this.

Q Asked another way, you would agree that the only way an asset optimization mechanism exists for the

three largest investor-owned utilities today is because it's a product of the negotiated settlement?

A That is what has been the case so far.

Q And you are aware that there is a provision in the current 2021 Tampa Electric Settlement Agreement that says that no term of the current agreement can be used by a party to the agreement as a precedent, are you not?

A I am not familiar with that.

MR. REHWINKEL: Mr. Chairman, I would like to go to OPC-28, if we could. And I want to go to page F2.1-4398, which might not be the right page. Let me see. I actually want to go -- okay.

BY MR. REHWINKEL:

Q So if you could just go to the beginning of paragraph 16 at the bottom of that page, which is page 43 of the document. Do you see where it says, Commission approval, and then it has a subsection (a)?

A Yes.

Q And then continuing on to 4399, subsection (b), can you read the first sentence and subsection (b)?

A Starting with "no party"?

Q Yes, sir.

A Sure.

No party will assert in any proceeding before the Commission or before any court that this 2021 Agreement or any of the terms in the 2021 Agreement shall have any precedential value.

Q Thank you.

And -- well, I won't leave -- I won't ask you for a legal opinion, or for you to interpret that order.

A Thank you.

Q It's probably a good idea, right? You are welcome.

All right. Wouldn't you also agree that FPL's 2012 settlement agreement was cited in 2016 in Tampa Electric's petition as a reason for them seeking approval of an AOM in that petition?

A I believe that is correct.

Q And do you know whether FPL had before 2012, or before the 2012 agreement was entered into, had petitioned Commission for approval of a stand-alone AOM mechanism?

A I don't know.

Q Do you know the current -- well, let me just ask it this way: Would you agree that the current sharing threshold for the FPL -- the initial sharing threshold for FPL's AOM is $42.5 million?

A I don't know that. I don't follow FPL too closely.

Q Okay. Would you accept subject to check?
A Subject to check.
Q Okay. So I would take it that -- well, I withdraw that.
You would agree, would you not, that for the last 40 years, that sharing mechanisms like AOM and its predecessor sharing mechanism have been accounted for in the fuel docket?
A I believe that's correct.
Q Would you accept, subject to check, that in 2012, the initial sharing mechanism for the FPL agreement was $36 million.
A Subject to check, I believe if it was 36 million, and then they added an additional 10 million to it. So I believe that the combination of those two would probably be 46 million, but that's subject to check.
Q I think you are right.
One of the items that you are asking the Commission to add to your existing negotiated settlement provision after it's extended is the sale of renewable energy credit, or RECs, right?
A Yes.
Q You are not saying that there is a disincentive for the company to make efforts to sell

RECs, are you?

A No.

Q I mean today before -- well, let me ask it this way: In your current agreement, I think by implication, RECs are not allowed to be included in the sharing mechanism, right?

A That is correct.

Q And the absence of inclusion of RECs in the existing sharing agreement has not been identified as a disincentive for the company to sell RECs, is that right?

A Not that I know of. We currently do sell RECs.

Q Are you asking the Commission to look to the fact that FPL is authorized to sell RECs as a basis for adding RECs to your AOM?

A Certainly that's one data point. Sure.

Q Okay. And to the extent that Duke energy, in the recently approved settlement agreement, is authorized to sell RECs in their --

MR. MEANS: Mr. Chairman, I --

MR. REHWINKEL: -- and to share --

CHAIRMAN LA ROSA: Is there an objection?

MR. MEANS: I just object to the questioning about the Duke settlement.

CHAIRMAN LA ROSA: Yeah, I am trying to avoid --

MR. REHWINKEL: Well, we might have to --

CHAIRMAN LA ROSA: -- making any --

MR. REHWINKEL: -- we might have to explore that, Mr. Chairman. I don't understand what exactly is the ruling with respect to an approved settlement agreement. Everything we are talking about here is settlement. Everything that talks about -- and he has already testified that all the AOMs that are authorized or implemented today, he believes, are part of settlement agreement petitions, so this can't be a sword and a shield.

The company can't say, we have a settlement agreement that has a provision that says you can't use it as a precedent, but what are they doing? And then say, but, oh, no, you can't talk about someone else's settlement agreement. We can't look at the negotiated thresholds in those agreements.

And so again, I believe the customers are constitutionally and statutory authorized to inquire into this level, or these bases for authorizing an AOM.

Now, I will say this: If we have to, I am going to ask that we bring up just the provision in the Duke agreement that discusses AOM. And I am not trying to enter the Duke agreement into the record as an exhibit or evidence, but I think it's relevant to the requirement that we are talking about.

CHAIRMAN LA ROSA: So my basis would be relevance, but I am going to go to --

MR. WAHLEN: Mr. Chairman, can I just add this from whatever it's worth?

Tampa Electric is not asserting that the Commission should approve this AOM because it's in an existing settlement agreement. We are asking you to approve it because of the facts and evidence in this case. We are in no way suggesting that because it was in a settlement agreement, it should have any more dignity or less dignity before the Commission right now.

CHAIRMAN LA ROSA: I am going to go -- go ahead.

MR. REHWINKEL: Just one rejoinder to that, Mr. Chairman.

A salient point on this matter is that the AOM mechanisms that I think the Commission should be aware of when they look at the various thresholds, the various components of them, they are the product of a significant amount of negotiated give and take. And so that is a relevant background, regardless of their motives for seeking AOM in this case, that is a relevant background for the Commission to see, is this company just coming in and say, with their hand out, give one that's going to expire, and, by the way, add these two things in into it, when you have evidence of other companies negotiating for it.

So that's the background that we think is relevant for your consideration.

MR. WAHLEN: He can spend the rest of the afternoon on this if he wants, we withdraw the objection.

MR. REHWINKEL: I certainly won't. I have few minutes left to spend on it.

CHAIRMAN LA ROSA: I trust you. Okay, let's move forward.

MR. REHWINKEL: All right. I think the question I -- are we good?

CHAIRMAN LA ROSA: Yeah. We are good.

MR. REHWINKEL: Okay.

BY MR. REHWINKEL:

Q The question I would just like to put to witness is, is he aware that Duke has the ability in

their AOM to share in the revenue's RECs, is that your understanding?

A I am familiar with what was proposed. I am not familiar with what was ultimately accepted. So, proposed, yes.

Q Okay. So to the extent that the Commission approved the Duke agreement unchanged, then your understanding would be approved contains the authorization for Duke to share in RECs?

A Yes.

MR. REHWINKEL: Okay. Mr. Chairman, I would like -- oh, did we bring out the book? Oh, let me maybe do it this way.

THE WITNESS: Oh, sorry. 211-5.2023, is that it? OPC-211-5.2023.

CHAIRMAN LA ROSA: All right. OPC-211 --

MR. REHWINKEL: Yeah.

CHAIRMAN LA ROSA: -- as long as the witness knows that that is a confidential document.

MR. REHWINKEL: Yes. So this is a -- I apologize, Mr. Chairman. We didn't bring the binder back out. I think this is may be our last option to use it in any way.

BY MR. REHWINKEL:

Q Mr. Heisey, in your -- were you in your

current role on May 2023?

A Yes.

Q Okay. This document, which is OPC -- what did I call it? 211?

CHAIRMAN LA ROSA: Yes, 211.

THE WITNESS: 211.

BY MR. REHWINKEL:

Q 211?

A Yes.

Q This document, are you familiar with it?

A It -- some of this content looks familiar.

Q Okay. Does it look like a document from the May 9, 2023, Tampa Electric Peoples Gas board meeting?

A Well, that's what the heading says.

Q Okay. Is that something you would have likely attended --

A No --

Q -- in your role?

A -- not likely.

Q Okay. Well, I want to ask you questions about whether you are familiar with some of the material in this document. And I think you, in many ways, have answered questions where we might not even need to resort for this, or move it into evidence. But can you look on what's Bates 6782, which is the first page, I

think, after the red -- and I think that the blue heading there is not confidential, is it?

A No.

Q Okay. It just says: Executive Summary, right?

A Yeah. That's not confidential.

Q And then the bullet -- the third bullet, this is consistent with, I think, your testimony on affordability today, as well as your answer that all -- that RECs are provided for the benefit of customers, or solely benefit of customers?

A Yes. It says, they help lower customer bills.

Q Yes.

A Yeah.

Q Can you read that third bullet aloud without revealing confidential information?

A Sure.

In the event we were to sell the RECs, all revenue generated from REC sales would flow back to customers through the fuel clause. Selling RECs helps lower customer bills.

Q In May of 2023, was the company getting underway with selling RECs, or had they already been doing it?

A No, we only started selling RECs in November of 2023.

Q Okay. So is this document -- does this appear to be a document to talk about how to proceed, especially if you look at the timeline on 6785?

A Yes.

Q So this document was part of the process of getting the mechanism, or the machinery engaged to start selling RECs?

A Yeah, this looks more like a planning and evaluation document for selling RECs.

Q Okay. All right. I think we can put this aside.

A Okay.

Q Given that you are selling RECs, and all of them are being sold to the benefit of customers today, would inclusion of RECs in the AOM, if it's extended and you are authorized sale RECs, would that mean that a portion of the REC revenues would be, assuming you are above the threshold, would be transferred to shareholders?

A If we are above threshold, the four-and-a-half million threshold, any incremental revenue above that gets shared between the company and customers. So, yes.

Q Okay. All right. Mr. Heisey, it's good to see you again, and thank you for your testimony.

MR. REHWINKEL: Now, I am going to take Mr. Wahlen's advise to not take the rest of the afternoon on this. I am done.

CHAIRMAN LA ROSA: Thank you. We appreciate it.

Excellent. Let's move to Florida Rising.

MR. LUEBKEMANN: Thank you, Mr. Chair.

EXAMINATION

BY MR. LUEBKEMANN:

Q Good afternoon Mr. Heisey. It's nice to see you again.

A Good to see you.

Q And we are also going to be pretty quick.

So if we turn first to master number F3.4-6691. And, yeah, let me know when you are there.

A Oh, got it. Got it.

Q Okay. Do you recognize this document?

A Yes.

Q And Table 1 of this document compares forecasts for Henry Hub natural gas prices made by TECO and the U.S. Energy Information --

A That is correct.

Q -- Administration?

A Yeah. Energy.

Q EIA. There is a reason we all call it the

EIA, right?

A EIA works. Yes.

Q And on the next stage of this document, there is a lot of data that begins. This data is the underlying monthly forecast data for TECO and the EIA for the 30-year Henry Hub prices?

A Okay.

Q Yes?

A Yes. Yes.

Q Okay. And then it compare forecasts that were developed in 2020, 2021, '2, '3 and '24?

A That is correct.

Q And do you have any reason to doubt the accuracy of this data?

A No.

Q Great. So we can put this one aside.

And then I just a very brief follow-up on the conversation you were having about RECs with Mr. Rehwinkel.

So just to confirm, the status quo for TECO is that TECO does sell RECs?

A Yes.

Q And 100 percent of the benefits of those REC sales go back to the customer?

A Right now, yes, they go back to the customer through the ECRC, environmental recovery clause.

Q Thank you. That's all my questions. Thanks.

A Thanks.

CHAIRMAN LA ROSA: Thank you.

FIPUG.

EXAMINATION

BY MR. MOYLE:

Q I just have a couple of questions. Good afternoon.

A Good afternoon.

Q If the Commission made a decision and said, you know, this isn't really the right place to consider this because it's not in the fuel clause, or for whatever reason, if they said, we are not going to approve your asset optimization program, would anything change with respect to how you were doing business today in managing these asset optimization programs?

A Are you saying that it would not be extended, or --

Q Yeah. I am asking you just to assume that. I mean, you know, looking at your testimony, this program has been around since the '80s. There is a PCS rule that had a 20-percent split, is that right?

A A long time ago.

Q Yeah.

A Yes.

Q And who did the 20-percent go to back in the '80s?

A I -- back in '80s? I don't know all the details --

Q Right.

A -- of every mechanism.

Q Right. I guess where I am -- what I am trying to understand is, I mean, the ratepayers have paid for all of these assets, correct?

A Correct.

Q There are ratepayer -- ratepayers funded, they are either paying for them currently or they have paid for them, is that right?

A Yes.

Q And, you know, you all operate an efficient operation, and do the right thing. And I am just trying to understand in my mind if this program is necessary and needed for you to continue to, you know, manage the assets the way you would otherwise manage them, you know, for the good of the ratepayer.

A Sure. So the Commission has had a long history of incentive mechanisms, different structures. As you mentioned, back to the '80s, some of the structures maybe were a little better than others.

What I can say is the current structure has been very successful. Like I mentioned, over the last six years, over $45 million of benefits back to customers.

If you look at the results of the mechanism for the last six years, compared to a different mechanism for the previous six years, the benefits are almost four times higher, which says the mechanism we currently have is a good one. It produces, again, a lot of benefits for customers. And that is the reason that we are recommending to extend it.

Q So with respect to that 45 million, you know, what was the split on the 45 million?

A Just one minute. 45 million to the customer, and I am just going to do math here. It looks like about 22 million to the company. So the customers do get most of the benefits.

Q So the total program saves 67 million?

A Correct, over the last six years.

Q And if you assume the program wasn't in place, how much would your activities have saved, if you can answer that?

A It's hard to say.

Q I mean -- I guess, fundamentally, I think Mr. Rehwinkel was making this point, we have negotiated this

provision in a lot of settlement agreements. This is the first time it's not being negotiated. Do you understand that?

A Yes.

Q Okay. And with respect to, you know, an incentive to operate and manage assets, and to give up, you know, gas positions if you are not going to use them, I assume that's just how you run your railroad, irrespective of whether there is an asset optimization in place; is that true?

A So -- no. I think it is important to have an incentive mechanism in place. I can speak for not only the history of the incentive mechanisms that we have had with the Commission, but also just looking at my own team, and the people that are responsible for analyzing these markets, evaluating markets and executing transactions. They perform better with some sort of incentive in place, whether it's personal or whether it's for the company. I see better productivity out of my team, which leads to better performance, and ultimately better benefits out of a mechanism like the AOM, which most of that goes directly to customers.

In addition, and certainly this doesn't happen overnight, but over the last six years, not only on my team, but we have seen good alignment across several different areas of the company towards this mechanism. Even though we execute transactions on my team, we do rely on other parts of the company to support this process. So we have good focus and alignment from the power plants; from our energy control center, that does a real time dispatch; from our environmental group.

To the extent that a plant, let's say, has a maintenance outage scheduled for tomorrow, we are able to, to the extent we see a good transaction in the market for tomorrow, and we would want them to delay that particular outage, we are able to do that. Whereas, maybe six years ago, we would have -- that would have been more challenging.

So I think, over the last six years, not only on my team, but across several areas of the company, we have good focus and alignment on these transactions, and it allows us to capture the optimal benefit when we execute transactions, which ultimately the majority of those benefits go back to customers.

Q You are not telling the Commission that those benefits won't going to continue unless this incentive mechanism is adopted, are you?

A If we did not --

Q Yes, no?

A Please repeat the question.

Q You are not telling this commission that the things you described, the efficiencies, and the long answer you just gave, that that will not continue unless they adopt the asset optimization measure, correct?
A Some of those activities would continue --
Q Yes, no?
CHAIRMAN LA ROSA: He is looking for a yes or no, and then maybe an explanation, if necessary. Do you want to start by repeating the question again, Mr. Moyle? I know it's the third time.
BY MR. MOYLE:
Q You are not telling the Commission that the efficiencies will not continue if they don't adopt the program that you are proposing, correct?
A No.
Q Okay. And if you need to explain, feel free.
A I would say if we did not have an incentive mechanism in place, I don't know that we would generate the same benefits that we would otherwise.
MR. MOYLE: Okay. That's all I have. Thank you.
CHAIRMAN LA ROSA: Thank you.
FEA.
CAPTAIN GEORGE: No questions. Thank you.
CHAIRMAN LA ROSA: Florida Retail.

MR. WRIGHT: Thanks, Mr. Chairman. I just have a couple of follow-ups --

CHAIRMAN LA ROSA: Sure.

MR. WRIGHT: -- to the questions asked by other attorneys.

EXAMINATION

BY MR. WRIGHT:

Q Good afternoon, Mr. Heisey.

A Afternoon.

Q Thank you.

You spoke briefly with Mr. Rehwinkel about Tampa Electric selling RECs. Does Tampa Electric sell RECs to your electric customers?

A Currently, the process is any RECs that are needed for or any kind of a retail program, that is the first place that our RECs go.

My group, selling wholesale RECs, kind of gets what is left over once the retail programs have any RECs that they need. So we kind of sell what's left.

Q Thanks.

If you know, are the RECs that are sold at retail, are they sold pursuant to negotiated prices or some other way?

A You know, I am not familiar with the detail of the retail programs.

Q Fair enough.

And following up on your previous answer, when your group sells wholesale RECs, do you sell them into voluntary markets?

A Yes.

Q Thank you.

MR. WRIGHT: That's all I had. Thanks, Mr. Chairman --

CHAIRMAN LA ROSA: Great. Thank you.

MR. WRIGHT: -- and Mr. Heisey.

THE WITNESS: Sure.

CHAIRMAN LA ROSA: Thank you.

Walmart.

MS. EATON: I just have a couple of questions.

EXAMINATION

BY MS. EATON:

Q You were speaking with Mr. Rehwinkel about November 2023 being the first time that TECO sold RECs?

A Yes.

Q And can you confirm that TECO did generate RECs before November of 2023?

A Yes, we did.

Q And what happened to the RECs generated before November of 2023? Were those sold, or what? What happened to those?

A Nothing happened to any of those RECs. Once we started selling RECs in November of 2023, we had RECs with vintages back to, I believe, 2018. So at that point, we started marketing really several vintages of RECs all the way back TO 2018.

Q So you sold and marketed marked the accumulated RECs?

A Correct.

Q Okay. Thank you.

MS. EATON: That's all my question.

CHAIRMAN LA ROSA: Great. Thank you.

Staff.

MR. SPARKS: Staff has no questions. Thank you.

CHAIRMAN LA ROSA: Thank you.

Commissioners, do we have any questions?

See none, TECO, let's send it back to you for redirect.

MR. MEANS: No redirect.

CHAIRMAN LA ROSA: Okay. How about exhibits into the record?

MR. MEANS: Yes. We would move Exhibits 29 and 149.

CHAIRMAN LA ROSA: 29 and 149. Is there objection?

Seeing no objection, show them entered into the record.

(Whereupon, Exhibit Nos. 29 & 149 were received into evidence.)

CHAIRMAN LA ROSA: Are there other exhibits?

MR. LUEBKEMANN: Yes, Mr. Chair. I neglected to identify it, but the document to which we referred was the Comprehensive Exhibit 665, and we would move that in.

CHAIRMAN LA ROSA: 665, is there objection?

MR. MEANS: No objection.

CHAIRMAN LA ROSA: Okay. Seeing none.

MR. REHWINKEL: No exhibits.

CHAIRMAN LA ROSA: Okay. Let's go back to LULAC, seeing none, show them -- that their exhibit is entered into the record.

(Whereupon, Exhibit No. 665 was received into evidence.)

CHAIRMAN LA ROSA: No other exhibits at this time, then let's take it back over -- oh, I am sorry. Sir, you are excused.

THE WITNESS: Thank you.

CHAIRMAN LA ROSA: Absolutely. No problem.

(Witness excused.)

CHAIRMAN LA ROSA: Let's throw it back to TECO to introduce their next witness.

MR. WAHLEN: Thank you, Mr. Chairman.

Tampa Electric calls Valarie Strickland, please.

CHAIRMAN LA ROSA: Mrs. Strickland, welcome. And before you take the seat, let's, if you don't mind, just administer the oath very quickly.

Please raise your right hand.

Whereupon,

VALERIE STRICKLAND

was called as a witness, having been first duly sworn to speak the truth, the whole truth, and nothing but the truth, was examined and testified as follows:

THE WITNESS: I do.

CHAIRMAN LA ROSA: Thank you.

When you are ready, TECO, it's all yours.

EXAMINATION

BY MR. WAHLEN:

Q   Would you please state your full name for the record?

A   Valerie Strickland.

Q   And who is your current employer, and what is your business address?

A   Tampa Electric. Business address is 702 North Franklin Street, Tampa, Florida.

Q And did you prepare and caused to be filed in this docket, on April 2nd, 2024, prepared direct testimony consisting of 29 pages?

A I did.

Q Did you prepare and caused to be filed in this docket, on July 2nd, 2024, prepared rebuttal testimony consistently 14 pages?

A I did.

Q And did you prepare and caused to be filed revisions to page 11 of your prepared rebuttal testimony on July 31st?

A I did.

Q And did the company file, on August 22nd, 2024, an update to which revenue requirement calculations for '25, '26 and '27 to reflect recent increase in the production tax credit rate from $2.75 per megawatt hour to $3?

A Yes, it did.

Q Have you updated all of the numbers in your direct testimony and rebuttal testimony to reflect the new PTC rate?

A I have not.

Q Okay. But the calculations contained in the company's revisions, which has been identified as Exhibit No. 835, reflect those changes, correct?

A They do.

Q Thank you.

Would you like to make a correction to your rebuttal -- or to your direct testimony to change the PTC rate from 2.75 to $3?

A Yes.

Q And what page would that be on?

A That would be page seven, line nine. So the number should be $3 versus $2.75.

Q Okay. Do you have any other corrections or changes to your prepared direct or rebuttal testimony?

A Rebuttal, yes. Page five, line 24 of my rebuttal testimony, the number 12,771,000 should be replaced with 12,993,000.

Q Okay. Any other changes?

A Yes. Page 11 of my revised rebuttal testimony, line 12 should be 12,020,449, line 14 should be 586,551.

Q Any other changes?

A Last one is line 24, the number should 6,209,177.

Q Okay. Any other changes?

A No.

Q Okay. With those changes, and with the one filed on July 31st, if I were to ask you the questions

contained in your prepared direct testimony and rebuttal testimony today, would your answers be the same?

A   Yes, they would.

MR. WAHLEN: Mr. Chairman, Tampa Electric requests that the updated and revised direct and rebuttal testimony of Ms. Strickland be inserted into the record as they are read.

CHAIRMAN LA ROSA: Okay.

(Whereupon, prefiled direct testimony of Valerie Strickland was inserted.)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

VALERIE STRICKLAND

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

A. My name is Valerie Strickland. My business address is 702 North Franklin Street, Tampa, Florida 33602. I am employed by Tampa Electric Company ("Tampa Electric" or the "company") as Director Corporate Taxes.

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

A. As an employee of Tampa Electric, I provide United States ("U.S.") tax services that are included in the shared services that Tampa Electric provides to U.S. affiliates. With the exception of payroll taxes, which are the responsibility of the company's payroll department, I am responsible for the preparation and filing of all tax returns, tax accounting for both internal and external purposes, tax planning, and managing all federal and state tax audits for the Emera U.S. affiliates, including Tampa Electric.

C15-1395

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

A. I was educated in Europe where I received a master's degree in accounting and finance from the Institute de l' Administration and Gestion in Paris, France. Upon graduation in 1992, I joined Coopers & Lybrand LLC, an independent accounting firm, as a tax professional. In 1998, Coopers & Lybrand LLC merged with Price Waterhouse and became Price Waterhouse Coopers LLP ("PwC").

I continued to work for PwC as a Tax Manager until I joined the TECO Energy Tax department in 2000 as a Manager Corporate Tax. Since then, I have focused on the preparation of U.S. federal and state income tax returns for TECO Energy and its subsidiaries, and now the U.S. companies that are part of Emera, Inc. ("Emera"). I have over 23 years of utility tax industry knowledge and experience.

I am an active participant of the Tax Analysis and Research Subcommittees of the Edison Electric Institute ("EEI") and the EEI Taxation Committee.

Q. Have you testified or filed testimony in proceedings before the Florida Public Service Commission ("Commission")?

C15-1396

A. Yes. I filed testimony before this Commission in three dockets. The first docket was in Emera affiliate Peoples Gas System's filing for consideration of the tax impacts associated with the Tax Cuts and Jobs Act of 2017 ("TCJA") under Docket No. 20180044-GU. The second was in Docket No. 20180045-EI, which addressed the tax impacts of the TCJA for Tampa Electric. The third was the 2020 petition for an increase in base rates and charges by Peoples Gas System, Docket No. 20200051-GU. In May 2023, I was also part of a panel deposition related to Peoples Gas System Inc.'s Docket 20230023-GU, Petition for Rate Increase.

Q. What are the purposes of your direct testimony?

A. The purposes of my prepared direct testimony are to: describe changes in income tax law since the company's last general base rate proceeding in 2021; discuss the impact of new renewable tax credits on the company's income tax expense for the 2025 test year; present the company's calculation of income tax expense for 2023 historical prior year, 2024 projected prior year and 2025 projected test year; explain Accumulated Deferred Income Taxes ("ADIT") and Investments Tax Credits ("ITC") in the company's projected capital structure; and (5) present the company's parent debt adjustment ("PDA") calculation for 2025.

My prepared direct testimony shows that: (1) the company's projected income tax expense and ADIT for the 2025 test year were developed using a methodology consistent with the company's actual 2023 income tax calculations and the company's test year cost of service; (2) the ADIT calculations for the 2025 test year are consistent with the specific Internal Revenue Code ("IRC") applicable to the company's 2025 projected test year; and (3) the PDA was calculated consistent with the Commission methodology used in the company's last rate case proceeding and the Commission's current PDA rule.

Q. Have you prepared an exhibit to support your direct testimony?

A. Yes. Exhibit No. VS-1 was prepared under my direction and supervision. My Exhibit consists of three documents, entitled:

Document No. 1	List of Minimum Filing Requirement ("MFR") Schedules - Sponsored or Co-Sponsored by Valerie Strickland
Document No. 2	Calculation of 2025 PTC Revenue Requirement Impact and Proposed Amortization of Deferred PTC Benefit

Document No. 3 Calculation of IRC Required Deferred Income Tax Adjustment

Q. Are you sponsoring any sections of Tampa Electric's Minimum Filing Requirement Schedules?

A. Yes. I am sponsoring or co-sponsoring the MFR Schedules listed in Document No. 1 of my Exhibit. The contents of these MFR Schedules were derived from the business records of the company and are true and correct to the best of my information and belief.

Q. How does your testimony relate to the testimony of other Tampa Electric witnesses?

A. My direct testimony explains and supports the income tax calculation for the test year 2025 that is included in the revenue requirement calculations shown in Tampa Electric witness Richard Latta's testimony. I also explain and support the 2025 test year ADIT and ITC amounts included in the proposed capital structure discussed in Tampa Electric witness Jeff Chronister's testimony.

(1) INCOME TAX CHANGES

Q. What changes have occurred in the income tax area since the company's last general base rate proceeding in 2021?

A. There have been no major changes to the State of Florida corporate income tax statutes and rules. In the federal area, Congress enacted the Inflation Reduction Act ("IRA"), which became effective on August 16, 2022 and made important changes for public utilities like Tampa Electric.

Specifically, the IRA included incentives for taxpayers in the energy markets such as the extension and modification of existing ITC, which includes a new ITC for energy storage technology, and production tax credits ("PTC") for solar projects. Later in my testimony I explain how the PTC and other credits available under the IRA apply to the company's solar generating and other facilities and reduce income tax expense.

(2) RENEWABLE TAX CREDITS IN THE IRA AND OTHER TAX CREDITS

Q. Did Congress enact legislation since the company's last rate case that changed the availability of federal income tax credits to Tampa Electric?

A. Yes, the IRA became effective on August 16, 2022, right after the company settled its last rate case. Among other things, the IRA increased the ITC applicable to certain

Corrections on this page
entered by Court Reporter:
Debbie Krick

renewable energy projects from 26 percent to 30 percent of the cost of the asset and extended the PTC in section 45 of the Internal Revenue Code ("IRC") to electricity produced by solar energy facilities.

Q. What is the PTC?

A. The PTC is a tax credit that reduces income tax expense in amount equal to $3.00 ~~$2.75~~ cents per kWh of solar energy produced by a qualifying facility during a tax year. The PTC is available for solar energy facilities placed in service on or after January 1, 2022. PTC may be claimed annually for 10 years following the in-service date of the solar facility. Under Section 45 of the IRC, the Internal Revenue Service ("IRS") has authority to adjust the rate.

Q. How do ITC and PTC differ?

A. In general, ITC are calculated as a fixed percentage or rate times the total cost of the qualifying asset and are reflected on the tax return for the year in which the asset goes in service. For ratemaking purposes, the IRC and IRS Treasury Regulations require that the total amount of the ITC be amortized over the life of the asset as a reduction to income tax expense (i.e., be "normalized"). This creates a smoothing effect that minimizes large, ITC-based changes to tax expense by recognizing the value of the credit for ratemaking purposes ratably, not all at once when an asset goes in service.

PTC are not calculated based on the cost of a qualifying asset, but rather, on the energy the asset produces over a 10-year period. The IRA did not impose a normalization requirement on the solar PTC. However, allowing a taxpayer to claim the PTC for a ten-year period has a smoothing effect similar to normalization by allowing taxpayers to recognize the value of the PTC over a long period of time (10 years), not just in the year the qualifying asset goes in service.

Q. How did the IRA change the availability of the ITC?

A. The IRA made a 30 percent ITC available for standalone energy storage facilities beginning in 2023. The ITC are still available for solar generating facilities for which construction begins before January 1, 2025; however, under new IRA provisions, companies can now elect the PTC for their solar facilities, in lieu of the ITC.

Q. Did the IRA establish any other requirements for the ITC

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and PTC?

A. Yes. The availability of both credits is subject to prevailing wages and apprenticeship requirements, known as the labor standards. The company intends to meet these requirements. Companies who do not meet the labor standards would only be able to claim 20 percent of the 30 percent ITC rate (6 percent of the qualified costs of the facility) or 20 percent of the PTC rate ($0.55 cents per kWh).

Q. Did the IRA change the federal statutory tax rate applicable to Tampa Electric?

A. No. The IRA did not change the statutory federal corporate income tax rate but did create a 15 percent alternative minimum tax effective in 2023 that is not applicable to Tampa Electric, because the worldwide adjusted financial statement income of Emera is not expected to average over $1 billion in U.S. Dollars.

Q. Which credits enacted in the IRA does the company plan to elect for the solar and other qualifying assets?

A. With the enactment of the IRA, the company determined that PTC were more beneficial to customers and as a result, elected to claim PTC for its solar plants placed in service in 2022, 2023, 2024, and 2025. Since PTC are allowed for a period of 10 years following the in-service date of the solar facility, the cumulative amount of PTC expected to be claimed in the test year 2025 is contributing to an income tax expense reduction of $35.4 million, which decreases the revenue requirement by $47.5 million. These PTC are the main reason that income tax expense is lower in test year 2025 than previous years.

Additionally, the company will claim the new 30 percent ITC in the amount of $42.3 million for its qualified standalone energy storage facilities expected to be placed in service in 2025.

Q. How does the company propose to account for those credits in the calculation of its 2025 test year income tax expense?

A. The PTC is a tax credit that reduces income tax expense, the amount of which is based on per kWh rate prescribed by applicable federal statutes. The ITC is calculated on a normalized basis in accordance with IRS normalization rules and amortized over the life of the asset.

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Q. Did the IRA introduce other rules related to the treatment of ITC?

A. Yes, the IRA introduced a provision to elect out of the IRS normalization rules for energy storage technology.

Q. How has the company treated the ITC on its energy storage facility in its test year 2025?

A. The company has calculated the ITC in accordance with the long-standing IRS normalization rules. The ITC has been deferred and amortized over the regulatory life of the asset, which is 10 years for energy storage.

Q. Please explain why the company is using the normalization method of accounting for the ITC for energy storage.

A. The general normalization rules have been in place since 1986. This is a method of accounting in which tax benefits associated with accelerated depreciation and ITC from regulated companies are spread over the same time period that the costs of investments are recovered from customers. The objective of normalization is to ensure that current and future customers are treated equitably by allowing all customers to enjoy the tax benefits associated with the utility assets. Normalization accounting has the effect of leveling customers' rates over time, and therefore avoiding volatility in the company tax expense profile, which would occur should the company elect out of normalization.

Q. The company's last rate case was resolved by a unanimous Stipulation and Settlement Agreement ("2021 Agreement") approved by the Commission in Order No. PSC-2021-0423-S-EI, issued on November 10, 2021. Does the 2021 Agreement specify the steps the company must take during the term of that agreement to address new tax credits?

A. Yes, the 2021 Agreement requires "normalization" of any new tax credits. Normalization of the PTC available for Solar Wave Two assets that went in service in 2022, 2023, and 2024 over a 10-year period yields approximately the same revenue requirement as the revenue requirement reflected in the company's 2022 base rate and the 2023 and 2024 Generation Base Rate Adjustments ("GBRA"). As shown in Exhibit One of Docket 20230090-EL, Petition to Implement 2024 Generation Base Rate Adjustment Provisions in 2021 Agreement ("IRA GBRA Petition"), the variance between normalized ITC and normalized PTC was $300 thousand, or a revenue requirement decrease of approximately $400 thousand. As a result, the company proposed to make no changes to its 2023 and 2024 GBRA, and to propose an income tax reduction mechanism in this general base rate proceeding.

Q. Which credit did the company elect to take for the solar generation assets approved in the 2021 Agreement?

A. For each Solar Wave Two facility placed in service during 2022 and through 2024, the company elected the PTC to ensure the highest amount of tax credit is available to offset its income tax expense, and subsequently allow customers to benefit from this tax expense reduction. Specifically, the company elected PTC for the following projects:

Solar Wave 2 Tranche 1: Mountain View, Jamison, and Big Bend Solar I, all placed in service in early 2022

Solar Wave 2 Tranche 2: Big Bend Solar II, Laurel Oaks, Riverside, and Palm River, all placed in service in December 2022 ("2023 GBRA assets")

Solar Wave 2 Tranche 3: Alafia, Dover, and Lake Mabel (formerly Wheeler), all placed in service in December 2023 ("2024 GBRA assets")

Q. What actions did the company take to support and implement its decision to elect PTC for its GBRA assets?

A. The company compared the total revenue requirement impact of the ITC for its solar facilities to the PTC for those same facilities and concluded that electing the PTC significantly reduced tax expense and decreased revenue requirement.

Beginning in 2022, the company recorded a regulatory liability to defer the incremental tax benefits of PTC over the original estimated ITC tax amortization calculated in its 2022 base rates and 2023 and 2024 GBRA assets ("deferred PTC").

The deferred PTC balance on December 31, 2024, is expected to be $55.3 million as shown on Document No. 2 of my exhibit.

Q. How does this amount compare to Exhibit One filed in the IRA GBRA Petition?

A. This $55.3 million balance is lower than the estimated balance of $61 million deferred revenue requirement reduction filed in the IRA GBRA Petition.

Q. Why is the amount different?

A. The deferred PTC balance of $55.3 million has been updated with actual PTC generated by the company in 2022 and 2023 and updated for 2024 forecasted PTC. In the IRA GBRA Petition the company expected total PTC for 2022-2024 to be $54 million and is now projecting PTC of $49.75 million. The variance of $4.25 million represents a lower deferred revenue requirement reduction of $5.7 million ($61 million less $55.3 million), as shown on Document No. 2 of my exhibit.

Q. How does the company propose to account for the PTC arising from its GBRA assets in 2025 in the calculation of its projected 2025 income tax expense?

A. The company has calculated PTC for the 2025 test year using the per kWh rate prescribed by applicable federal statutes multiplied by the estimated amount of energy to be produced by its 2023 and 2024 GBRA assets, as well as Solar Wave Two Tranche 1 assets placed in service in 2022.

Q. How does the company propose to account for the deferred PTC balance as of December 31, 2024 in this case?

A. The company proposes to amortize the regulatory liability related to the deferred balance as a reduction of expense over a period of 10 years beginning January 1, 2025. This proposal reduces the 2025 test year revenue requirement by approximately $5.5 million and is consistent with the 10-year period for which PTC are available for a project under the IRC. This $5.5 million reduction is reflected on MFR Schedule C-4, page 4 of 8, sponsored by Mr. Latta.

Q. Please explain the research and development tax credit available under the IRC.

A. The research and development tax credit is a federal tax credit of IRC Section 41 which is based on qualified research expenditures incurred during a tax year. The research and development tax credits are available to Tampa Electric because of our investment to modernize our generation assets and to innovate our Electric Delivery technologies that will improve reliability and provide new functions, features, and services for the company and customers.

Q. How does the research and development tax credit affect the 2025 test year?

A. The research and development tax credit reduces test year income tax expense by approximately $1.8 million.

Q. Please summarize how the company has accounted for and the impact of income tax credits in the calculation of its 2025 income tax expense.

A. In total, tax credits reduce the company's 2025 income tax expense by $50.1 million, which represents a $67.3 million lower revenue requirement.

The company has reduced test year income tax expense by approximately $35.4 million to reflect the estimated amount of PTC generated by its solar plants placed in service beginning 2022 and thereafter.

For solar generating facilities placed in service prior to 2022, the company claimed ITC and deferred and amortized (normalized) the ITC over the regulatory life of the asset, resulting in ITC amortization which reduces test year income tax expense by $9.9 million.

New ITC for standalone energy storage facilities are being deferred and normalized over the regulatory life of the assets, which reduces test year income tax expense by $3

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million.

Income tax expense for 2025 has been reduced by $1.8 million for the estimated research and development tax credit.

Q. What is the impact of tax credits and the deferred PTC amortization on the company's test year revenue requirement?

A. The company's test year revenue requirement includes a revenue requirement reduction from tax credits of $67.3 million and a revenue requirement reduction from the amortization of deferred PTC of $5.5 million, for a total revenue requirement reduction of $72.8 million.

(3) INCOME TAX EXPENSE

Q. Is the income tax expense reflected in the 2023 historical prior year, 2024 projected prior year and 2025 projected test year MFR Schedules computed appropriately?

A. Yes. Federal and state income tax expenses for all three years have been correctly computed in accordance with Generally Accepted Accounting Principles ("GAAP"), the requirements of the Commission, and the requirements of the

IRC, including the special provisions applicable to utilities.

Consistent with the company's previous rate proceedings and long-standing Commission precedent, the company computed its test year income tax expense on a stand-alone basis. The projected total income tax expense for 2025 is based on the projected taxable income and the federal and state income tax laws, regulations, and rules expected to be in place during the 2025 test year.

As shown in MFR Schedule C-22 Page 3, the company calculated income tax expense using the federal and state rates expected to be in effect for the 2025 test year of 21 percent and 5.5 percent, respectively. We computed deferred taxes and the related accumulated deferred income tax based on the projected book/tax temporary differences for the 2025 forecasted period.

Q. Are there other items that impact the projected 2025 tax expense?

A. Yes, there are three other items that impact tax expense: (1) the flow back of net excess deferred taxes; (2) the amortization of ITC; and (3) tax credits.

Q. Please explain how these items were calculated.

A. First, as shown on MFR Schedule C-22 Page 3, we included the forecasted flow back of net excess deferred taxes in our tax expense calculation in the amount of $26.8 million. This amount was calculated in accordance with the Commission's orders related to federal and state tax reform provisions in the 2021 Settlement Agreement, Dockets No. 20180045-EI and 20190203-EI, respectively.

This amount represents the flow back of excess deferred taxes calculated as a result of TCJA and state income tax rate reductions enacted in 2019 and 2021, reduced by the deficient state taxes from the company's revaluation at the 5.5 percent effective rate of its state income tax deferred balance. This revaluation created deficient deferred taxes of approximately $21 million, which the company recorded as a credit to ADIT with a corresponding debit to a regulatory asset at December 31, 2021, as provided in Rule 25-14.13(4), Florida Administrative Code. The impact of the flow back of the deficiency is a $3.2 million tax expense or $4.2 million increase to revenue requirement which represents one fifth of the $21 million regulatory asset, consistent with the Tax Reform section 11(c) (vii) of a 5 year flow back for remeasurement of deferred taxes less than $100 million.

Second, we calculated the amount of ITC amortization related to ITC claimed on the company's solar and energy standalone energy storage facilities. These ITC are being deferred and amortized over the regulatory life of the assets and per the normalization requirements of the IRC. The ITC on solar generation assets is being amortized over 30 years as proposed in the company's recently filed depreciation study, and the energy storage assets are being amortized over 10 years. The total ITC amortization in the 2025 test year is a $12.9 million reduction to tax expense, as shown on MFR Schedule C-22 Page 3.

Finally, we reduced our income tax expense by tax credits allowed under the IRS rules, which include research and development tax credits of $1.8 million and the new PTC enacted in the IRA of $35.4 million.

Q. What is the appropriate amount of Income Tax expense for the 2025 test year?

A. As shown on MFR Schedule C-22 Page 3, the total tax expense for the projected test year 2025 is $28.9 million. This amount is also shown on MFR Schedule C-1, as Total

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Company per Books Income Taxes, and corresponds to the Jurisdictional Adjusted Income Taxes (credit) of $(8.3) million shown on MFR Schedule C-1.

(4) ADIT AND TAX CREDITS IN CAPITAL STRUCTURE

Q. Is the amount of ADIT in the projected capital structure reasonable?

A. Yes The ADIT for the 2025 forecasted period have been computed based on the projected book/tax temporary differences and in accordance with GAAP, the requirements of the Commission, and IRC rules, including special provisions applicable to utilities. As shown on MFR Schedule B-22, the forecasted net ADIT balance for the year ended December 31, 2025 is $927.2 million.

Q. Is the amount of ITCs in the projected capital structure reasonable?

A. Yes. The ITC balance for the 2025 forecasted period has been computed in accordance with GAAP, the requirements of the Commission and IRC rules, including special provisions applicable to utilities. As discussed earlier, for the 2025 activity, the ITCs for solar facilities have been amortized over 30 years as proposed in the company's recently filed depreciation study. As shown on MFR Schedule B-23, the forecasted unamortized ITC balance for the year ended December 31, 2025, is $264.1 million.

Q. Did the company make any capital structure adjustment to ADIT to comply with the IRC?

A. Yes. The company has adjusted its ADIT balances in the capital structure to reflect the normalization adjustment required when a utility taxpayer uses a projected test period for ratemaking purposes. This adjustment reduces ADIT with an offset applied to investor sources of capital on a pro-rata basis.

The ADIT balances on MFR Schedule D-01a, Page 3, sponsored by Mr. Chronister are based on a 13-month average of projected balances. However, the IRC requires a specific computation to determine the maximum amount of ADIT to be treated as zero-cost capital in the cost of capital calculation.

Q. Please discuss the projected test year normalization requirements.

A. Under Treasury Regulations § 1.167(l)-1, when a projected test period is used to set rates and the newly determined rates are expected to be in effect for all or a portion of that test period, the utility plant ADIT additions in the portion of the test period in which the new rates are expected to be in effect must be pro-rated over the period for which the new rates are expected to be in effect.

In this filing, the projected test period is the year ending December 31, 2025, with new rates proposed to become effective with the first billing cycle in January 2025. Therefore, the new rates are expected to be in place for the entirety of the projected test year. As a result, January through December 2025 utility plant ADIT additions must be pro-rated. The projected test year utility plant ADIT additions are pro-rated using a ratio in which the numerator is the number of days remaining in the projected test year, and the denominator is the number of days during which the new rates are expected to be in effect in the projected test year. Because the company closes its books on a monthly basis, the proration is also done on a monthly basis. As a result, January 2025 ADIT additions are prorated using a ratio of 335/365, February 2025 ADIT additions are prorated by 307/365, and so on until December 2025 additions are prorated by 1/365. This adjustment is only required for accumulated deferred income taxes recorded in Account 282, net of the ASC 740 component, because this account includes the deferred taxes governed by the IRS normalization rules. The specific computation is shown on Document No. 3 of my exhibit as a reduction to deferred taxes in the amount of $13,080,555 which is included in the specific adjustment on MFR Schedule D-1a, Page 3, sponsored by Mr. Chronister.

Q. What amount of investment tax credits should be approved for the company's test year capital structure?

A. As shown on MFR Schedule B-23, the company has $237.1 million of unamortized ITC credits as of December 31, 2023, and expects to have $264.1 million at December 31, 2025. While the majority of the ITC balance was generated during the 2017-2021 period as a result of the company's investment in solar facilities, the ITC balance in 2024 and 2025 is also projected to increase due to new ITC generated by the company investment in energy storage facilities. This unamortized balance is a regulatory tax liability which is a component of the capital structure, using the weighted average cost rate of investor sources of capital, which is consistent with the methodology used in prior rate case proceedings.

(5) PARENT DEBT ADJUSTMENT

Q. Does Tampa Electric file a consolidated income tax return with other Emera companies?

A. Yes. Tampa Electric is a wholly owned subsidiary of TECO Holdings, Inc., which is a wholly owned subsidiary of Emera United States Holdings, Inc. ("EUSHI"), which is a wholly owned subsidiary of Emera, Inc. Tampa Electric and the other TECO Holdings companies file United States and state income tax returns on a consolidated basis with EUSHI. As shown on MFR Schedule C-27, Tampa Electric does not expect that being included in a consolidated tax return will cause any significant benefit or detriment to Tampa Electric or its customers in the 2025 test year.

Q. Did the company make a parent debt adjustment when calculating its 2025 revenue requirement as contemplated in Rule 25-14.004, Florida Administrative Code?

A. Yes. Tampa Electric calculated a PDA of $12.9 million using the capital structure of Emera Inc. In MFR Schedule C-24, we calculated this adjustment consistent with the methodology used in the 2021 rate case proceeding. This adjustment decreased the company's 2025 revenue requirement by $17.4 million.

Q. Has Tampa Electric made any parent debt adjustments in its annual and monthly earnings surveillance reports?

A. Yes.

Q. Are there expected changes to the existing parent debt calculation as provided in Rule 25-14.004 of the F.A.C?

A. Yes. On February 22, 2024, Commission Staff filed Document No. 00851-2024 under Docket No 20240019-PU- Proposed amendment of Rule 25-14.004, F.A.C, Effect of Parent Debt on federal Corporate Income Tax.

Q. What is the purpose of the proposed amendment?

A. The amendment would eliminate the PDA.

Q. How would the company propose to account for this rulemaking change should this change take effect during this rate case proceeding?

A. Should the Commission approve the elimination of the PDA, the company would request to apply the new rule to its 2025 test year. This would result in an increase in its revenue requirement by the amount of $17.4 million.

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(6) SUMMARY

Q. Please summarize your direct testimony.

A. The ADIT and income tax expense included in the Base Period and Future Test Year cost of service are fair and accurate based on the underlying rate base and recoverable expenses included in the cost of service.

The projected 2025 MFR income tax schedules have been presented on a basis consistent with the historical schedules and consistent with other projected information for the test period. Further, the projected 2025 MFR income tax amounts have been properly stated in accordance with GAAP and IRC rules, including the calculation of new tax credits allowed under the IRA. The ADIT amounts have also been adjusted for the amount included on Document No.3 of my exhibit and have been calculated in accordance with the requirements of the Treasury Regulations applicable to projected test periods. The company has performed its calculation of the parent debt adjustment consistent with its prior rate case, including a proposal to modify the computed amount should the PDA be eliminated during the course of this rate case proceeding.

Q. Does this conclude your direct testimony?

A. Yes, it does.

(Whereupon, prefiled rebuttal testimony of Valerie Strickland was inserted.)

BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 20240026-EI

PETITION FOR RATE INCREASE
BY TAMPA ELECTRIC COMPANY

REBUTTAL TESTIMONY AND EXHIBIT

OF

VALERIE STRICKLAND

TAMPA ELECTRIC COMPANY
DOCKET NO. 20240026-EI
FILED: 07/02/2024

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

REBUTTAL TESTIMONY

OF

VALERIE STRICKLAND

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

A. My name is Valerie Strickland. My business address is 702 North Franklin Street, Tampa, Florida 33602. I am employed by Tampa Electric Company ("Tampa Electric" or the "company") as Director Corporate Tax.

Q. Are you the same Valerie Strickland who filed direct testimony in this proceeding?

A. Yes.

Q. Have your title and duties and responsibilities changed since the company filed your prepared direct testimony on April 2, 2024?

A. No.

Q. What are the purposes of your rebuttal testimony?

A. My rebuttal testimony addresses proposals by Office of Public Counsel ("OPC") witness Lane Kollen on the ratemaking treatment of the company's regulatory liability for deferred production tax credits ("PTC"), investment tax credits ("ITC") for energy storage devices, and the company's pre-2022 ITC for solar facilities. My testimony complements the rebuttal testimony of Tampa Electric witness Jeff Chronister, who uses some of the information in my rebuttal testimony to explain the company's position on revenue requirement issues raised by OPC and the other intervenors.

Q. Have you prepared an exhibit supporting your rebuttal testimony?

A. Yes. Rebuttal Exhibit No. VS-2, entitled "Rebuttal Exhibit of Valerie Strickland," was prepared by me or under my direction and supervision. The contents of this rebuttal exhibit were derived from the business records of the company and are true and correct to the best of my information and belief. My rebuttal exhibit consists of the following two documents:

Document No. 1 — 3-year life - Battery Storage ITC - 2025 test year

Document No. 2 3-year life - Battery Storage ITC - SYA 2026 and 2027

I. REGULATORY LIABILITY FOR DEFERRED PTC

Q. Do you agree with Mr. Kollen's statements on lines 2 through 9 on page 36 of his testimony regarding the company's deferral of PTC?

A. No. From the beginning, the company understood based on the 2021 Agreement that any new tax credits arising from tax reform during the term of the agreement should benefit customers. Mr. Kollen's explanation is misleading and fails to acknowledge the significant discussions Tampa Electric held with OPC regarding PTC and the requirement in paragraph 11(c) of the 2021 Agreement for the company to "normalize" new tax credits arising from tax reform for the solar projects addressed in the agreement.

As noted in my direct testimony, the Inflation Reduction Act ("IRA") became effective on August 16, 2022. Tampa Electric promptly began discussing the meaning of the tax credit "normalization" language with OPC and agreed to establish a regulatory liability to reflect the revenue requirement value of the PTC exceeding the amount of ITC used to calculate its 2023 and 2024 GBRA.

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On October 27, 2022, the company filed a letter with the Commission in Docket No. 20220148-EI advising of those discussions and agreeing to collect its 2023 GBRA subject to refund pending resolution of the issue. The company filed a similar letter for its 2024 GBRA in Docket No. 20230090-EI on October 23, 2023. Tampa Electric and OPC discussed the PTC normalization issue multiple times, beginning in December 2022 and continuing through early 2024, when the company filed its proposal in Docket No. 20230090-EI to resolve the issue in this case. The company consulted with OPC before each filing, and OPC did not object.

Q. What did the company propose to do in this rate case?

A. The company indicated that in this case it would propose an amortization period for the PTC deferred balance, reflect the amortization of the deferred PTC using its proposed period as a reduction to income tax expense in the calculation of test year net operating income, and explain its proposed amortization period in its direct testimony. It noted that the appropriate amortization period for the deferred PTC would be an issue in this case and that the parties would be free to advocate for an amortization period other than the one proposed by the company.

Q. Do you agree with Mr. Kollen's proposal to amortize the company's regulatory liability for deferred PTC as of December 31, 2024, over three years?

A. No. The proposed three-year amortization period is too short because it will create an abnormal profile in the revenue requirement. The company's proposed 10-year amortization ensures a smoother profile in the revenue requirement reduction associated with this item. The IRS allows the company to claim a PTC for 10 years following a qualifying asset's in-service date; therefore, the company believes it is reasonable to mirror this period for amortization of the deferred PTC.

Q. If the Commission makes Mr. Kollen's proposed adjustment reflecting a three-year amortization period, is the amount of his proposed net operating income ("NOI") adjustment correct?

A. Excluding the carrying charges adjustments of $1,073,000, Tampa Electric agrees that Mr. Kollen's calculated amount of ~~$12,771,000~~ **$12,993,000** is accurate. Mr. Chronister further explains why carrying costs on the deferred PTC balance should not be recovered as proposed by Mr. Kollen.

Q. If the Commission makes Mr. Kollen's proposed adjustment reflecting a three-year amortization period, are the amounts of his proposed rate base adjustments, correct?

A. No. The company disagrees with the proposed adjustment because, among other reasons, it was calculated using a simple average as opposed to a 13-month average, and it reflects a carrying charge which Mr. Chronister discusses in his rebuttal testimony.

II. RATEMAKING TREATMENT OF ITC FOR ENERGY STORAGE DEVICES

Q. How has the company accounted for ITC associated with energy storage devices in the 2025 test year and 2026 and 2027 subsequent year adjustments ("SYA")?

A. The company used the normalization method of accounting and calculated the deferral and amortization of ITC to conform with IRS normalization rules under Code Section 46. This is consistent with both the company's historical treatment of ITC for its pre-2022 solar generating assets and FPSC practice. Under this approach, the company's cost of service is reduced by the ITC amortization based on the regulatory life of the asset and assigned a cost of capital for the deferred ITC at the weighted average cost rate of investor sources of capital.

Q. What does OPC Witness Kollen propose?

A. Mr. Kollen proposes that the company elect out of the normalization method of accounting, which is a permissible method under the IRA, and to amortize the ITC over a three-year period. He also proposes to assign a zero cost of capital to the deferred ITC balance in the company's capital structure.

Q. Do you agree with OPC's proposal?

A. No. While the IRA allows for an opt out of normalization for Energy Storage devices, the company believes that normalization is integral to accounting for income taxes in the Florida regulated environment and arises from Internal Revenue Service guidance on the ratemaking approach.

Normalization is a method of ensuring that regulated utilities and customers benefit from the various tax law provisions that were designed to encourage capital expenditures. For example, accelerated depreciation and

ITC have historically been intended to encourage capital expenditures, not to subsidize customers' utility costs.

Deferring the ITC over a shorter period than the regulatory life of the asset would lower the regulated utility's revenues in the short term and not be representative of the company's normal income tax profile. Normalization protects revenues from the effects of lower rates in the short term and allows regulated utilities and customers to share the benefits of accelerated depreciation and investment tax credits over the life of the related assets.

It is prudent and reasonable to rely on the long history of normalizing deferred ITC for the purpose of determining the tax expense in the 2025 cost of service and SYA. The normalization method of accounting avoids intergenerational cost inequities. It allows regulated companies and customers to share benefits and achieve better balancing of the benefits of ITC over the life of the assets giving rise to the ITC. This method of accounting for ITC has been approved by the FPSC for decades. Finally, consistent with normalization rules and long standing Commission practice, the deferred ITC should be stated in the capital structure using a weighted cost rate of investor sources of capital.

Q. Why does the company propose to normalize the ITC associated with energy storage but is willing to "flow-through" the PTC associated with solar?

A. The company proposes different approaches because the design of the two credits is different.

Like solar ITC, the ITC for energy storage arises (or is earned) only in the year the qualifying asset goes into service, so flowing through the entire ITC value when the asset goes into service would only give the value of the credit to customers receiving electric service from Tampa Electric in the year the asset goes in service.

The PTC for solar is structurally different in that the tax credit is available to be earned over ten years, not just the year the solar assets are placed in service. Thus, unlike the ITC, the basic design of the PTC has a normalizing effect that allows current and future customers to enjoy the benefit of the credit over more than one year. This has the effect of moderating intergenerational customer inequities, which is one of the ideas behind normalization.

Q. What cost rate should be applied to deferred ITC for energy storage devices in the company's capital structure?

A. The weighted average cost rate of investor sources of capital should be applied to the unamortized balance of the deferred ITC. Since the ITC was enacted decades ago to incentivize capital investments, it is well established by the IRS and Commission practice that when a rate of return is based on a taxpayer's cost of capital, the credit may not be assigned a cost of capital rate lower than the overall cost of capital rate, determined on the basis of a weighted average for the capital that would have been provided if the ITC was not available. As a result, there should be no change to the company's proposed capital structure related to deferred ITC, its accumulated deferred income tax ("ADIT") balance at zero cost of capital, or the Clean Energy Transition Mechanism ("CETM") revenue requirement calculation proposed by the company.

Q. If the Commission approves OPC's proposal to amortize deferred ITC for energy storage devices over three years, is the amount of Mr. Kollen's adjustment to the company's 2025 test year revenue requirement correct?

D12-780

A. No. The ITC amortization calculated by Mr. Kollen does not consider the correct start date of amortization which begins the month following the placed in-service date of the asset. Mr. Kollen assumed a half year amortization convention using the amounts of ITC disclosed on MFR Schedule B-23. Additionally, some new additions in 2024, although not material, include solar lighting assets subject to normalization and amortized over 30 years for the test year (35 years in 2023 and 2024). If the Commission agrees with Mr. Kollen on this adjustment, Document No. 1 of my rebuttal exhibit shows that the revenue requirement decrease should be $10,850,000 compared to his proposed $12,607,000 for a difference of $1,757,000.

Q. If the Commission approves OPC's proposal to amortize deferred ITC for energy storage devices over three years, are the amounts of Mr. Kollen's adjustment to the company's 2026 and 2027 SYA correct?

A. No. In Document No. 2 of my rebuttal testimony, we recalculated the amount using a three-year amortization period and concluded that the reduction in the revenue requirement would be $3,767,845 compared to the $2,792,228 proposed by Mr. Kollen.

III. AMORTIZATION OF PRE-2022 SOLAR ITC

Q. How has the company accounted for ITC associated with solar facilities placed into service prior to January 1, 2022, in its 2025 test year?

A. The company claimed ITC for solar generating facilities placed in service prior to 2022. It deferred and amortized the ITC over the regulatory life of the asset, which is 30 years, as proposed in the company's recently filed depreciation study.

Q. If the Commission adopts OPC's recommended 35-year life for the depreciation of solar facilities, should the Commission also adjust the amortization period for pre-2022 solar ITC?

A. Yes, in order to avoid a violation of the IRS normalization rules, the Commission would need to adjust the ITC amortization using the 35-year life should this longer life be adopted by the Commission.

Q. Should the Commission approve OPC's proposal to use a 35-year depreciation life for solar facilities, is the amount of Mr. Kollen's adjustment to the company's 2025 income tax expense on a grossed up basis correct?

A. Yes. Tampa Electric agrees with the proposed increase of $1,636,000.

IV. SUMMARY

Q. Please summarize your rebuttal testimony.

A. My rebuttal testimony addressed the statements made by OPC witness Lane Kollen related to the ratemaking treatment of the company's deferred PTC balance amortization and the treatment of the ITC for energy storage devices and pre-2022 solar generating facilities. I demonstrated the following:

- Amortizing the deferred PTC balance over a ten-year period will provide a less volatile revenue requirement reduction profile and be in sync with the period during which a company may claim the PTC, which is ten years under IRS rules.
- Applying the well-established FPSC and IRS normalization rules to the ITC for energy storage devices will avoid volatility in the company income tax profile and preserve ITC amortization benefits among existing and future customers.
- The ITC related to the pre-2022 solar generating facilities should be amortized in the 2025 test year

using a 30-year life, as proposed in the company's depreciation study.

Q. Does this conclude your rebuttal testimony?

A. Yes.

D12-784

(Whereupon, revised prefiled testimony of Valerie Strickland was insertedd.)

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July 31, 2024

ELECTRONIC FILING

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

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 on behalf of Tampa Electric Company in the above-referenced docket are clean and redline versions of updated page 11 of the rebuttal testimony of Valerie Strickland and updated VS-2 as discussed in Deposition of Valerie Strickland on July 15, 2024.

Thank you for your assistance in connection with this matter.

Sincerely,

J. Jeffry Wahlen

cc: All parties

JJW/ne
Attachment

A. No. The ITC amortization calculated by Mr. Kollen does not consider the correct start date of amortization which begins the month following the placed in-service date of the asset. Mr. Kollen assumed a half year amortization convention using the amounts of ITC disclosed on MFR Schedule B-23. Additionally, some new additions in 2024, although not material, include solar lighting assets subject to normalization and amortized over 30 years for the test year (35 years in 2023 and 2024). If the Commission agrees with Mr. Kollen on this adjustment, Document No. 1 of my rebuttal exhibit shows that the revenue requirement decrease should be $10,~~850,000~~196,856 compared to his proposed $12,607,000 for a difference of $1,757,000.

Q. If the Commission approves OPC's proposal to amortize deferred ITC for energy storage devices over three years, are the amounts of Mr. Kollen's adjustment to the company's 2026 and 2027 SYA correct?

A. No. In Document No. 2 of my rebuttal testimony, we recalculated the amount using a three-year amortization period and concluded that the reduction in the revenue requirement would be $~~3,767,845~~5,113,440 compared to the $2,792,228 proposed by Mr. Kollen.

D12-786

A. No. The ITC amortization calculated by Mr. Kollen does not consider the correct start date of amortization which begins the month following the placed in-service date of the asset. Mr. Kollen assumed a half year amortization convention using the amounts of ITC disclosed on MFR Schedule B-23. Additionally, some new additions in 2024, although not material, include solar lighting assets subject to normalization and amortized over 30 years for the test year (35 years in 2023 and 2024). If the Commission agrees with Mr. Kollen on this adjustment, Document No. 1 of my rebuttal exhibit shows that the revenue requirement decrease should be $10,196,856 compared to his proposed $12,607,000 for a difference of $1,757,000.

Q. If the Commission approves OPC's proposal to amortize deferred ITC for energy storage devices over three years, are the amounts of Mr. Kollen's adjustment to the company's 2026 and 2027 SYA correct?

A. No. In Document No. 2 of my rebuttal testimony, we recalculated the amount using a three-year amortization period and concluded that the reduction in the revenue requirement would be $5,113,440 compared to the $2,792,228 proposed by Mr. Kollen.

D12-787

TAMPA ELECTRIC COMPANY
DOCKET NO. 20240026-EI
REBUTTAL EXHIBIT NO. VS-2
WITNESS: STRICKLAND
DOCUMENT NO. 1
PAGE 1 OF 2
FILED: 07/02/2024
REVISED: 07/31/2024

D12-788

3-year life- Battery Storage ITC-2025 test year

Tampa Electric Company
2025 Budget Additions that Qualify for ITC

Solar Project	Total	Went In Service	ITC 30% / 40%
Wimauma Battery Storage	50,709,000	February	15,212,700
Lake Mabel Battery Storage	54,457,495	January	16,337,249
MacDill /South Tpa Battery Storage- 40% ITC	31,032,733	December	12,413,093
	85,490,229		28,750,342
Big Bend II Flow Battery Storage	4,834,658	December	1,450,397
Total Battery Storage	**141,033,886**		**45,413,439**
Total ITC	**141,033,886**		**45,413,439**

As amended Per Jeff Chronister SYA exhibits July 24, 2024

	Deferred ITC - Battery Storage	Amortiz years	Annually	2025	
Wimauma	15,212,700	10	1,521,270	1,267,725	Feb
Lake Mabel	16,337,249	10	1,633,725	1,497,581	January
South Tampa	12,413,093	10	1,241,309	-	Dec
BB II flow	1,450,397	10	145,040	-	Dec
	45,413,439		4,541,344	**2,765,306**	

OPC Proposal - 3-yr Amort.

Deferred ITC - Battery Storage	Amortiz years	Annually	2025	
15,212,700	3	5,070,900	4,225,750	Feb
16,337,249	3	5,445,750	4,991,937	January
12,413,093	3	4,137,698	-	Dec
1,450,397	3	483,466	-	Dec
45,413,439		15,137,813	**9,217,687**	

2025 Change in 2025 ITC Amortization	(6,452,381)
2025 Change in 2024 ITC Amortization	(1,278,900)
	(7,731,281)
Revenue Expansion Factor	1.34364
Revenue Requirement Decrease	(10,388,058)
Jurisdictional Factor	0.981594
Revenue Requirement Decrease	**(10,196,856)**

D12-788

TAMPA ELECTRIC COMPANY
DOCKET NO. 20240026-EI
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Tampa Electric Company

2024 Budget Additions that Qualify for ITC

Solar Project	Total	Went In Service	ITC 30%
Battery 15MW Dover	18,270,000	September	5,481,000
Total ITC	**18,270,000**		**5,481,000**

Per MFR / Rate Case Submission

Deferred ITC - Battery Storage	Amortiz years	Annually	2024	
5,481,000	10	548,100	137,025	September
-	10	-		
-	10	-		
5,481,000		548,100	137,025	

Per OPC - 3-yr Amort.

Deferred ITC - Battery Storage	Amortiz years	Annually
5,481,000	3	1,827,000
-	3	-
-	3	-
5,481,000		1,827,000

2024 Change in 2025 ITC Amortization (1,278,900)

D12-789

TAMPA ELECTRIC COMPANY
DOCKET NO. 20240026-EI
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WITNESS: STRICKLAND
DOCUMENT NO. 2
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FILED: 07/02/2024
REVISED: 07/31/2024

3228

D12-790

3-year life- Battery Storage ITC- SYA 2026 and 2027

Tampa Electric
ITC Calculations
Energy Storage

As revised - 10 year Per Jeff Chronister revised SYA Exhibits July 24, 2024

2025

	Cost	ITC %	ITC	Years	Annual ITC	Prorated for In-Service	NOI Impact	NOI Multiplier	Revenue Requirement Impact
Wimauma	50,709,000	30.00%	15,212,700	10	1,521,270	83.33%	1,267,725	1.34364	1,703,366
Lake Mabel	54,457,495	30.00%	16,337,249	10	1,633,725	91.67%	1,497,581	1.34364	2,012,210
South Tampa	31,032,733	40.00%	12,413,093	10	1,241,309	0.00%	-	1.34364	-
Totals			43,963,042		4,396,304		2,765,306		3,715,576

2026

	Cost	ITC %	ITC	Years	Annual ITC	Prorated for In-Service	NOI Impact	NOI Multiplier	Revenue Requirement Impact
Wimauma	50,709,000	30.00%	15,212,700	10	1,521,270	100.00%	1,521,270	1.34364	2,044,039
Lake Mabel	54,457,495	30.00%	16,337,249	10	1,633,725	100.00%	1,633,725	1.34364	2,195,138
South Tampa	31,032,733	40.00%	12,413,093	10	1,241,309	100.00%	1,241,309	1.34364	1,667,873
Totals			43,963,042		4,396,304		4,396,304		5,907,050
2026 SYA - Incremental Impact			-						**2,191,474**

7,304,914	OPC Proposal -3 year life 2026 SYA
2,191,474	As revised per company in modified SYA
(5,113,440)	Revenue requirement reduction 3 years vs 10 years

2027

	Cost	ITC %	ITC	Years	Annual ITC	Prorated for In-Service	NOI Impact	NOI Multiplier	Revenue Requirement Impact
Wimauma	50,709,000	30.00%	15,212,700	10	1,521,270	100.00%	1,521,270	1.34364	2,044,039
Lake Mabel	54,457,495	30.00%	16,337,249	10	1,633,725	100.00%	1,633,725	1.34364	2,195,138
South Tampa	31,032,733	40.00%	12,413,093	10	1,241,309	100.00%	1,241,309	1.34364	1,667,873
Totals			43,963,042		4,396,304		4,396,304		5,907,050
2027 SYA - Incremental Impact			-						-

D12-790

D12-791

Tampa Electric
ITC Calculations
Energy Storage

This scheduled was recalculated using a 3 year life as proposed by OPC

2025

	Cost	ITC %	ITC	Years	Annual ITC	Prorated for In-Service	NOI Impact	NOI Multiplier	Revenue Requirement Impact
Wimauma	50,709,000	30.00%	15,212,700	3	5,070,900	83.33%	4,225,750	1.34364	5,677,887
Lake Mabel	54,457,495	30.00%	16,337,249	3	5,445,750	91.67%	4,991,937	1.34364	6,707,366
South Tampa	31,032,733	40.00%	12,413,093	3	4,137,698	0.00%	-	1.34364	-
Totals			43,963,042		14,654,347		9,217,687		12,385,253

2026

	Cost	ITC %	ITC	Years	Annual ITC	Prorated for In-Service	NOI Impact	NOI Multiplier	Revenue Requirement Impact
Wimauma	50,709,000	30.00%	15,212,700	3	5,070,900	100.00%	5,070,900	1.34364	6,813,464
Lake Mabel	54,457,495	30.00%	16,337,249	3	5,445,750	100.00%	5,445,750	1.34364	7,317,127
South Tampa	31,032,733	40.00%	12,413,093	3	4,137,698	100.00%	4,137,698	1.34364	5,559,576
Totals			43,963,042		14,654,347		14,654,347		19,690,167
2026 SYA - Incremental Impact			-						**7,304,914**

2027

	Cost	ITC %	ITC	Years	Annual ITC	Prorated for In-Service	NOI Impact	NOI Multiplier	Revenue Requirement Impact
Wimauma	50,709,000	30.00%	15,212,700	3	5,070,900	100.00%	5,070,900	1.34364	6,813,464
Lake Mabel	54,457,495	30.00%	16,337,249	3	5,445,750	100.00%	5,445,750	1.34364	7,317,127
South Tampa	31,032,733	40.00%	12,413,093	3	4,137,698	100.00%	4,137,698	1.34364	5,559,576
Totals			43,963,042		14,654,347		14,654,347		19,690,167
2027 SYA - Incremental Impact			-						-

D12-791

BY MR. WAHLEN:

Q Ms. Strickland, did you also prepare and cause to be filed with your direct testimony an exhibit marked VS-1, consisting of three documents?

A I did.

Q And did you also prepare and cause to be filed with your rebuttal testimony exhibit marked VS-2, consisting of two documents?

A I did.

Q And some of those numbers would be updated to reflect the new PTC rate and other items that are reflected in the Exhibit 8?

A That's correct.

MR. WAHLEN: Mr. Chairman, Tampa Electric would note for the record that the Exhibits VS-1 VS-1 and VS-2 have been identified on the CEL as Exhibits 30 and 150.

CHAIRMAN LA ROSA: Okay.

BY MR. WAHLEN:

Q Ms. Strickland, would you please summarize your direct and rebuttal testimony?

A Yes.

Good afternoon, Commissioners. My direct testimony describes changes in income taxes law since the company's last general base rate proceeding in 2021.

It discusses the impact of new renewable tax credits on the company's income tax expense for the 2025 test year. It presents the company's calculation on income tax expense for 2023, 2024 and our 2025 projected test year.

Specifically, my direct testimony explains the company's efforts related to optimizing tax expense with tax credits, which contributes to lowering tax expense of above 52 million in 2025, or a $70 million revenue requirement reduction benefiting our customers.

I also explain the accumulated deferred income taxes and investment tax credits in the company's projected capital structure, and I present the company's parent debt adjustment calculations for 2025.

I also explain the company's proposal to amortize our deferred production tax credit balance as of December 31st, 2024, as a reduction of expense over 10 years.

My rebuttal testimony explains why Commission should not adopt the Office of Public Counsel proposals to amortize the company deferred production tax credit balance over three years and flow through investment tax credit on energy storage device over three years. The company will opt out of normalization for the investment tax credit on energy storage if the company -- if the Commission says it should.

I also explain how the amortization of the pre-2022 investment tax credit on solar facilities should be adjusted if the Commission approves a book life for the solar facility different from the one proposed by the company.

This concludes my summary.

Q Thanks you.

MR. WAHLEN: Ms. Strickland is available for cross-examination.

CHAIRMAN LA ROSA: Great. Thank you.

OPC.

EXAMINATION

BY MS. CHRISTENSEN:

Q Good afternoon, Ms. Strickland. How are you today?

A Good afternoon. Thank you.

Q I would ask you to turn to page two of your direct testimony. It should be C15-1396.

A Yeah.

Q In this, you say that you are the person whose focus it is to prepare U.S. federal and state income taxes for TECO Energy and its subsidiaries that are U.S. companies that are part of Emera, Inc., correct?

A Yes.

Q And Emera is a Canadian company, is that

correct?

A Yes.

Q And if you turn to page three of your testimony. This is where you discuss the accumulated deferred income taxes, investment tax credits, parent debt adjustment in the 2025 projected test year, correct?

A Yes.

Q Okay. And you discuss in your testimony the changes in the taxes since the last rate case, right?

A I do.

Q You would agree that part of the changes in the taxes are due to the implementation of the Inflation Reduction Act, or as I may refer to it, the IRA, which became effective August 1st, 2022nd -- 2022 -- excuse me, is that correct?

A Yes.

Q As part of the IRA, there was an invest -- new investment tax credit for energy storage technology, in other wo-- in utility sized battery storage, or, as I think you have called it, energy storage; correct?

A Yes.

Q And the IRA also created what we have been calling the production tax credit, or PTCs, correct?

A Yes.

Q Okay. If we can take you to page 25 of your direct testimony. The first thing I would like to discuss with you is your parent tax adjustment in this case.

A I am sorry, can you repeat?

Q If we can go to page 25. I believe that's where you start in your direct testimony discussing the parent debt adjustment.

A Oh, parent debt. Yes. Uh-huh.

Q Okay. Tampa is a wholly-owned subsidiary of TECO Holdings, Inc., which is a wholly-owned subsidiary of Emera United States Holdings, Inc., which is a wholly-owned subsidiary of Emera, Inc., the Canadian company; is that correct?

A Yes.

Q Okay. And would it be correct that Tampa Electric taxes with the other TECO holding companies are consolidated with the Emera U.S. holdings?

A That's correct.

Q And the parent debt adjustment under Rule 25-14.004, Florida Administrative Code, was 12.9 million using the capital structure of Emera in this case, correct?

A That's correct.

Q Okay. And making the parent debt adjustment

resulted in a decrease in the company's 2025 revenue requirement by 17.4 million, is that correct?

A Yes.

Q And you would agree that the ratepayers would have had to pay 17.4 million more in the rates if the parent debt adjustment rule was not in place?

MR. WAHLEN: I am going to object on relevancy. I don't think there is a dispute about whether the company has had the correct parent debt adjustment here. This sounds to me like an argument about whether there should be a parent debt adjustment rule, which is an issue for another proceeding.

CHAIRMAN LA ROSA: Can I hear from OPC on that?

MS. CHRISTENSEN: Yeah. She has testified to the parent debt adjustment in this case. I know there was one discussion about whether or not it should be applied, and we are -- we would like to explore briefly. I just have one or two more questions about that subject, and then I am going to move on to the next subject.

MR. WAHLEN: I am looking at Issue 62. There is no dispute between Tampa Electric and the Office of Public Counsel about the amount of parent debt adjustment. I don't know why we have to have cross-examination about it.

CHAIRMAN LA ROSA: Okay. I mean, that's fine. Let me just go to my advisors on the question of relevancy.

MS. HELTON: I think Mr. Wahlen has a point, Mr. Chairman.

CHAIRMAN LA ROSA: Can we move on to another line of questioning?

MS. CHRISTENSEN: Certainly. We acknowledge that the parent debt adjustment was made in this case and did save customers money. So we will move on to the next line of questioning.

BY MS. CHRISTENSEN:

Q Can I ask that you refer to page seven of your testimony?

A I am there.

Q Okay. Great.

And looking at line six, this is where you start talking about the production tax credit, correct?

A Yes.

Q And the production tax credit is a fixed rate per megawatt hour for solar energy produced by a qualified -- qualifying facility during the tax year, correct?

A Yes. It's in the I -- in the Internal Revenue Code. They refer to it as kilowatt hour.

Q And it would be correct that the amount used when TECO filed this case is $2.75 per kilowatt hour?

A Yes, it was at that time.

Q Okay. And that's per solar energy produced, correct?

A Yes.

Q And it would also be correct to refer to that alternatively as $2.75 per megawatt hour, correct?

A So it's $2.75 per kilowatt hour, or 27-and-a-half-dollars per megawatt hour.

Q Okay. I stand corrected.

And then with the current changes, that current rate is $3 -- or three cents per kilowatt hour?

A $3 per kilowatt hour, or $30 per megawatt hour.

Q Okay. I just want to make sure that I have that right. Can you repeat that one more time?

A Sure.

Q I thought it was three cents per kilowatt hour, but I just want to make sure I am understanding.

A So I think I -- if I may explain. I think I understand where your -- the three cents coming from.

The way the Internal Revenue Code is worded is not straightforward. So there is a base rate of three cents.

Q Okay.

A That's where you start. Then you have to apply an inflation factor that is issued by the IRS. Then there is a rounding exercise to five cents. And then there is a multiplier times five when the company meets the prevailing wage rate and apprenticeships. So when you add all these together, that gets you the $3 per kilowatt hour.

Q Okay. So we are using $3 per kilowatt hour?

A Now we are, or $30 per megawatt hour. Either way.

Q Okay. I just wanted to make sure I am using the right number. Thank you.

A Absolutely.

Q Okay. And that is the number that was reflected in the company's August 22nd, 2024, filing?

A That's right.

Q Okay. You would agree that the IRS did not impose a normalization requirement on the solar PTCs, but allowed them to be claimed for the production of the units over a 10-year period for the first 10 years of each of the units' lives, correct?

A Correct.

Q And you would agree that normalization under the IRS rules would generally require that the tax benefit be flowed back to customers over the life of the asset?

A Correct.

Q And for each of the years you take the PTCs earned for the kilowatt hour energy produced in that year -- let me restate that.

And for each year, you take the PTCs earned for the kilowatt hours of energy produced in that year for all the qualified solar facilities in use, correct?

A That's right.

Q Okay. And isn't it true that you do that for an individual solar facility for each of the 10 years; for example, if you put a facility into service in 2022, you would earn PTCs each year until 2032?

A That's correct.

Q And then in 2033, you would no longer earn PTC credit, correct?

A On that facility. Absolutely. Uh-huh.

Q Okay. Now we look at page nine of your testimony, line 21. And then if we go to the -- through the top of the next page, 10, and line nine. When you are there, let me know.

A Okay, I am there.

Q Okay. You talk about the solar facilities that were placed into service starting in 2022, through the projected test year, 2025, correct?

A I am sorry, can you repeat the line you are on?

Q I was looking at the bottom of page nine, starting at 21.

A Yes.

Q And then you kind of go over to the next page --

A Oh, okay.

Q -- and you continue discussion --

A Yes --

Q -- reference.

A -- okay, I am with you now.

Q Right. And then you talk about the solar facilities that were placed into service starting in 2022 through the projected test year of 2025, correct?

A Yes.

Q Okay. And then you go -- if we go on and scroll a little bit further in your testimony, on to page 14, this is where you start your discussion, I believe -- or, sorry, your explanation that because TECO elected to take a higher PTC credit over the investment tax credits that were included as part of the '21

settlement would -- that reduced the tax expense and decreased revenue requirement. Let me --

A Yes, generally, I don't know if you --

Q Okay.

A -- which line were you referring to?

Q Just looking at probably -- I will just go up a little -- scroll up a little bit more. It's that question starting on line one, and it kind of goes through 18. And I will refer to my question.

This is where you have the discussion that there were tax credits that were earned prior to '22 that were called ITCs, and because of the tax change, you opted to do -- to use them as PTCs, and then you created that differential. Is that -- this is where you got that discussion, correct?

A Yes. I follow you, yes.

Q Okay. And you would agree at the beginning in 2022, and through 2024, the company reported, as a regulatory liability, the deferred incremental tax benefit of the PTCs over the original ITC?

A That's correct.

Q And looking at -- and we are going to go back just a few pages, to page 12. Starting at line 13, you say there in response to the question: Yes. The '21 agreement requires normalization of any new tax credits.

Do you see that language?

A Yes.

Q Okay. Would you agree that the term normalization used in the 2021 agreement was not defined in that agreement, correct?

A I agree.

Q And would you also agree that the term, since it wasn't defined, could have different meanings depending on the context it was drafted in?

A Yes, I agree.

Q The 2021 was drafted and approved before the IRA was approved and enacted, is that correct?

A Yes.

Q Meaning that it, the '21 agreement, could not have foreseen that the IRA would allow you to at least to elect out of normalization, correct?

A Yes.

Q You would agree that normalization has a meeting with respect to the tax code only in the sense of normalization requirements set forth in Section 168, the depreciation section, or the former Section 46, ITC; correct?

A I agree. I would only add that the '21 settlement agreement did say that new tax credit would be normalized, hence, as you just pointed out, a little bit of ambiguity with the interpretation.

Q And the meaning under those sections means normalization of credit over the life of the asset, is that correct?

A That's normally how we would interpret it. Yes.

Q Okay. And the company deferred the PTCs earned during the years 2022 through 2024, right?

A Yes. We deferred the incremental value of the PTC over the investment tax credit value that would have been in the '21 settlement agreement and the subsequent GBRAs.

Q Okay. And you would agree that there was no normalization requirement related to those PTCs, correct?

A Under the IRS rules, that would be correct. PTCs are flow-through.

Q Okay. On page 14, which we had previously been at. Looking at, I think, that same group of -- that same paragraph starting in question at line one, going through 18, you say that the expected balance of this deferred PTC balance on December 31st, 2024, is expected to be 55.3 million, correct?

A Yes. That's on my direct testimony. I would add for the record that because of the August '22 submission, that amount would be slightly higher now.

Q Okay. In that slightly higher amount for the PTC balance, that didn't include carrying costs to ensure the customers receive the same economic value as if the PTCs have been flowing back in 2022 through 2024, correct?

A So, no, I would say that it did not include carrying costs because the regulatory balance related to this deferred PTC is deducted from my base.

Q Okay.

A So we did not include carrying costs as a result of that.

Q You agree, however, that TECO received a benefit from the PTCs in those years by lowering taxes and allowing the company to retain cash and avoid some financing costs?

A I don't agree with that.

Q Okay. So there is no deferral or -- well, would you agree that there is no deferral amortization period for these PTCs?

A I am not sure I understand the question.

Q Okay. Since PTCs are not under normalization, there is no amortization period, correct?

A For the 2022 through 2024 PTCs, is that what you are asking about?

Q PTCs in general, there is no amortization period for PTCs in general, is that correct?

A Yes, but I would like to have a caveat that the PTCs is not normalized, as we have mentioned, but there is a -- it kind of acts like a normalization in a way because it is offered over a 10-year period. So there is a 10-year period during which the PTCs are earned, but they are not amortized.

Q Okay.

A I would agree with that.

Q And there is no deferral period associated with PTCs normally?

A No.

Q They are earned in a year, and they are used in the same year they are earned, right?

A That's correct.

Q Okay. Would you agree that the 10-year eligibility period for the PTCs is not an amortization period?

A Yes.

Q And you are, however, recommending that the PTC deferred balance be flowed back to customers over a 10-year period starting to January 1st, 2025, correct?

A I am.

Q Okay. And your assertion is that this is

consistent with the 10-year period over which newly installed solar facilities are allowed to earn PTCs, correct?

A It is. I would like to add, though, there is a difference between the PTCs that we earned during the settlement, the '21 settlement agreement compared to the PTC that we are now calculating 2025 and forward.

So the reason the company is proposing the amortization using the 10-year period, which mirrors the period during which the credits are earned, is simply because the wording in the '21 settlement agreement did require the company to normalize new tax credits. And under that premise, that could have actually be done over a 35-year period. So 10 years is still shorter than 35.

Q Right. But the -- even the 10 years, it's not what you would normally consider the normalization period under IRS years -- IRS rules, which would be the life of the asset, correct?

A That's correct.

Q Okay.

A I am just pointing out that the treatment of the fact that the language was ambiguous in the settlement agreement kind of led us to have a -- to propose a different treatment with respect to that deferred PTC balance and still locking at value for the customers.

Q Okay. Would you agree that the PTCs earned in the test year by solar assets that were placed in operation to 2025 are flowed through and used to reduce income taxes expense in the test year, correct?

A The 2025 production tax credit amount are based on old facilities that have been placed in service since '22 and in '25 that are generating megawatt hour times the PTC rates. It's not just the facilities that are placed in service in 2025. I just wanted --

Q Okay.

A -- to make sure I understood your question.

Q Yes. And we are discussing the same thing.

A Oh, okay.

Q So all operative solar facilities since 2022 that are in operation as of today, if they are producing credits or they are producing energy, they earn a credit?

A That's right.

Q Okay. You would agree that flowing through the test year would be the equivalent of a one-year amortization period, not a 10-year amortization period, correct? In other words, if they are created -- if the PTCs are created in one year and then are used to offset

taxes in one year, that's a single year use?

A That's right.

Q Okay. And there was an issue with the deferred PTCs, in that they were not flowed through to customers when they were earned in each year in 2022 through 2024, so they necessarily must be amortized over some amortization period to provide those deferred benefits to customers, correct?

A So, no, I disagree, because what the company did is, essentially, had we normalized the PTC earnings '22, '23 and '24 in accordance with the language of the settlement agreement, that could have been done over a 35-year amortization, that would actually have been less than the investment tax credit amortization embedded in those rates, base rates in '22 and the subsequent GBRA agreements.

Q Okay. But I think you would agree that because those PTC benefits had not been credited in the way that PTCs are created to be credited in the year that they are created and used in those years, since those benefits were not flowed back to customers in their rates during '22, '23 and '24, you created a deferred balance, correct?

A Yes.

Q Okay. And because there is a deferred PTC

balance that was created during those years, that has to be given back to customers over some period of time, correct?

A Yes.

Q Okay. And you understand that OPC, as described by Witness Kollen, recommends amortizing of the deferred PTCs over a three-year period, not a singular year period, but over a three-year period; correct?

A Yes. I understand that's the position.

Q Okay. And so the question before the Commission is whether you use the three-year period proposed by OPC, or the 10-year amortization period that is being proposed by the company for PTCs that were earned and deferred over the three-year period of 2022 through 2024, correct?

A That's right.

Q And there is no disagreement between OPC and the company that new PTCs earned in '25, and in subsequent years, should be flowed through the year earned, which is essentially a one-year amortization period, correct?

A A one-year flow-through, yes. Uh-huh.

Q Okay. And you would agree that the customers of TECO, during the 2022, '23 and '24 period, were the

ones who lost the benefit of the lower taxes and costs being passed on to them during those years, correct?

A No, I don't agree with that. If I refer you back to the 2021 settlement agreement language, it said that, new tax credits would have to be calculated on a normalized basis.

Q All right. If you didn't assume your interpretation of what the agreement required and you just had the new PTCs that were created, they would have been created and earned and used in each of those years, correct?

A Without the word normalized in the agreement?

Q Yes.

A Yes.

Q Okay.

A I would have agreed. I would agree.

Q Can we have you go to page five of your rebuttal testimony, line 17? I just want to -- let me know when you are there, and I will let you know --

A I am there.

Q Okay. And this is the portion of your testimony, your rebuttal testimony, where you discuss what the impact would be of the three-year amortization period as recommended by OPC witness Kollen, correct?

A Yes.

Q And starting on line 17, you acknowledge that using the three-year amortization period to flow back the deferred PTCs without the 1,073,000 in carrying costs results in a revenue reduction of $12,771,000, and was correctly calculated by Mr. Kollen; is that correct?

A So that's correct, except for the changes that I spoke about earlier. That number would change now because of the August '22nd submission.

Q Okay.

A Uh-huh, close enough.

Q And assuming with the corrections --

A Yes.

Q -- then that would be the starting point.

A Uh-huh.

Q Okay. And I just want to clarify, you did not say that Mr. Kollen's calculated 1,073,000 in carrying costs for the deferred PTC regulatory liability is incorrectly calculated, correct?

A I did not, and that was handled in witness Jeff Chronister's testimony.

Q Okay. Would that amount also be changed because of the change in the amount of PTCs?

A It probably would.

Q Okay. Now, I would like to take you back to page 11 of your direct testimony to discuss the

investment tax credit for energy storage, in other words battery storage.

A Okay, I am there.

Q Okay. I will be there hopefully just momentarily.

Okay. And this is the part of your testimony, where you say the IRA introduced a provision to elect out of IRS normalization rules for energy storage technology, correct?

A Yes.

Q If you go down to lines -- well, with the question starting at line seven, and then you provide a response from line 10 through line 14, correct? And this is where you discuss that the company elected not to opt out of the normalization rules, and continue to operate as if they were under the regulatory scheme prior to the IRA implementation; correct?

A Correct.

Q Okay.

MS. CHRISTENSEN: Could I have a minute to confer?

CHAIRMAN LA ROSA: Yes.

MS. CHRISTENSEN: All right. I think I can shorten this up --

CHAIRMAN LA ROSA: Great.

MS. CHRISTENSEN: -- really quickly.

THE WITNESS: Okay.

BY MS. CHRISTENSEN:

Q I believe you said in your summary that if the Commission directed you to elect, or opt out of normalization, the company would do that; is that correct?

A I did.

MS. CHRISTENSEN: Okay. With that, I have no further questions. Thank you.

CHAIRMAN LA ROSA: Thank you.

Let's go to Florida Rising and LULAC.

MR. MARSHALL: Thanks. Mr. Chairman. Just a few follow-up questions from Ms. Christensen's cross-examination.

EXAMINATION

BY MR. MARSHALL:

Q Did you correct Ms. Christensen on the amount of the PTC credit per kilowatt hour from, you know, saying that it wasn't three cents, it was $3 per kilowatt hour?

A Yes. It's $3 per kilowatt hour.

Q And then you said it was $30 per megawatt hour?

A Yeah. I think it's three cents. Yes, you are

right. You are right. Thank you for correcting me.
MR. MARSHALL: Thank you. That was my follow-up.
CHAIRMAN LA ROSA: Great. Thank you.
Go to FIPUG.
MR. MOYLE: We have no questions.
CHAIRMAN LA ROSA: Great.
FEA.
CAPTAIN RIVERA: No questions.
CHAIRMAN LA ROSA: Great. Thank you.
Florida Retail.
MR. WRIGHT: No questions. Thank you, Mr. Chair.
CHAIRMAN LA ROSA: Walmart.
MS. EATON: No questions. Thank you.
CHAIRMAN LA ROSA: Great.
Staff.
MR. MARQUEZ: Yes, sir.

EXAMINATION

BY MR. MARQUEZ:
Q Good afternoon, Ms. Strickland.
A Good afternoon.
Q I would like to cover your assessment of the rate base adjustments that OPC Witness Kollen recommends. So if you need a moment to review your

rebuttal testimony on page six, lines three through 11, that will be master page D12-776, go right ahead. And then look up when you are done.

A I am sorry. Can you -- you said rebuttal?

Q Yes, of your rebuttal. Page six, lines three through 11.

A Okay.

Q Okay. So one reason that TECO disagrees with Mr. Kollen's rate base adjustments is because he calculated them using a simple average as opposed to a 13-month average, correct?

A Yes.

Q Okay. Did you ever calculate or revise Mr. Kollen's proposed rate base adjustments to reflect a 13-month average?

A Yes. That would have been in the August 22nd filing.

Q So then with that filing, do you know what the numeric difference is between OPC's proposed rate base adjustment using the simple average and using the 13-month average?

A I don't see it readily available. I am going to defer to witness Jeff Chronister, who is the rate base expert witness.

Q Just -- no, you don't know.

Do you know in general what effect Mr. Kollen's rate base adjustment on TECO's requested amount of rate base would be in terms of would it increase it or decrease it?

A I think it would have increased it, because the deferred production tax credit balance would be amortized advertised over a shorter period, so, therefore, it would increase the rate base.

Q Thank you very much, Ms. Strickland.

MR. MARQUEZ: I have nothing further for her.

CHAIRMAN LA ROSA: Thank you.

Commissioners, do we have any questions?

Seeing no questions, let's go back to TECO for redirect.

MR. WAHLEN: I would like to start by thanking Mr. Marshall for asking one of my redirect questions on the rates. So thank you for that.

FURTHER EXAMINATION

BY MR. WAHLEN:

Q I want to make sure the record is clear on the normalization opt-out for the investment tax credit for energy storage.

So, Ms. Strickland, when is the company's energy storage device first going into service?

A So the first battery storage asset is going in service later this year.

Q Okay.

A That's the small Dover battery storage. And then the major battery storage device will be going into 2025.

Q And you take the investment tax credit in the tax year when the asset goes in service, is that correct?

A That's correct. The investment tax credit is calculated it based on the cost of the qualifying facility in that year.

Q Okay. And the company has not filed its tax return for 2024, is that correct?

A No, that would be happening in October 2025.

Q Okay. So the company hasn't had an opportunity to opt in or out of normalization on battery storage at this point, is that correct?

A That's correct.

Q And you have made it clear that if the Commission believes that the company should opt out of normalization for energy storage ITC, the company will do that, correct?

A That's correct.

Q And is it the company's position that it should be required to opt out?

A No. I think the company's position is still supporting the normalization of investment tax credit on the energy battery storage. And one of the basic premise of normalization is that it allows for these investment tax credit benefit to be shared among all customers.

So essentially using a shorter life will cause intergenerational cost inequities among customers class. And by that I mean existing customers will get a benefit on a shorter life, but future customers will lose out on benefit. So essentially, if the energy storage facilities are depreciated over 20 years, which is in reflected in the company's August 22nd filing, then what the company is proposing is to amortize the investment tax credit over the 20-year life of the asset; because if it's shorter, what will happen is that future customers will still pay for the asset in rate base but the associated credit related to that asset will no longer be there and, therefore, the tax expense will be higher.

Q Thank you.

MR. WAHLEN: No further questions.

CHAIRMAN LA ROSA: Great. Thank you.

Let's talk about exhibits into the records.

MR. WAHLEN: Tampa Electric moves Exhibits 30 and 150 into the record, please.

CHAIRMAN LA ROSA: Is there objections?

Seeing none, show them entered into the record.

(Whereupon, Exhibit Nos. 30 & 150 were received into evidence.)

CHAIRMAN LA ROSA: Are there any other exhibits from the other parties? I am not seeing any.

Okay. Then I think we can go ahead and excuse Ms. Strickland. Thank you.

THE WITNESS: Thank you.

(Witness excused.)

CHAIRMAN LA ROSA: TECO, I believe you have another witness?

MR. WAHLEN: I believe Tampa Electric would call Ashley Sizemore.

CHAIRMAN LA ROSA: Welcome, Ms. Sizemore. Do you mind administering the oath before you have a seat?

Please raise your right hand.

Whereupon,

ASHLEY SIZEMORE

was called as a witness, having been first duly sworn to speak the truth, the whole truth, and nothing but the truth, was examined and testified as follows:

THE. WITNESS: I do.

CHAIRMAN LA ROSA: Thank you.

EXAMINATION

BY MR. WAHLEN:

Q Would you please state your name for the record? Is your microphone on?

A Now it is.

Q Okay. You want to try that again?

A My name is Ashley Sizemore.

Q And who is your current employer, and what is your business address?

A I am employed by Tampa Electric. My business address is 702 North Franklin Street, Tampa, Florida.

Q And did you prepare and cause to be filed in this docket, on April 2nd, 2024, prepared direct testimony consisting of 17 pages?

A I did.

Q Do you have any additions or corrections to be prepared direct testimony?

A No, I do not.

Q If I were to ask you the questions contained your prepared direct testimony today, would your answers be the same?

A Yes, they would be.

MR. WAHLEN: Mr. Chairman, Tampa Electric requests that the prepared direct testimony of Ms. Sizemore be inserted into the record as though read.

CHAIRMAN LA ROSA: Okay.

MR. WAHLEN: Thank you.

(Whereupon, prefiled direct testimony of Ashley Sizemore was inserted.)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

ASHLEY SIZEMORE

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

A. My name is Ashley Sizemore. My business address is 702 North Franklin Street, Tampa, Florida 33602. I am employed by Tampa Electric Company ("Tampa Electric" or the "company") in the position of Director Rates in the Regulatory Affairs Department.

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

A. As the Director Rates, my duties entail overseeing the cost recovery for the fuel and purchased power, interchange sales, capacity payments, approved environmental projects, conservation and storm protection plan projects as well as managing the Clean Energy Transition Mechanism ("CETM").

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

C17-1703

A. Yes, I have filed direct testimony in the Fuel & Purchased Power & Capacity and Environmental Cost Recovery Clause ("ECRC") dockets since 2020.

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

A. I received a Bachelor of Arts degree in Political Science and a Master of Business Administration degree from the University of South Florida in 2005 and 2008, respectively. I joined Tampa Electric in 2010 as a Customer Service Professional. In 2011, I joined the Regulatory Affairs department as a Rate Analyst. I spent six years in the Regulatory Affairs department working on environmental, fuel, and capacity cost recovery clauses. During the following three years as a Program Manager in Customer Experience, I managed billing and payment customer solutions, products, and services. I returned to the Regulatory Affairs department in 2020 as Manager Rates. I was promoted to my current position in May 2023. I have over 13 years of electric utility experience in the areas of customer experience and project management as well as the management of fuel and purchased power, capacity, and environmental cost recovery clauses.

C17-1704

Q. What are the purposes of your direct testimony?

A. The purposes of my direct testimony are to (1) describe the CETM, (2) explain what has happened with the CETM since 2022, (3) discuss Tampa Electric's proposed CETM factors to be effective January 1, 2025, and (4) discuss Tampa Electric's performance under the Florida Energy Efficiency and Conservation Act ("FEECA").

Q. Have you prepared an exhibit to support your direct testimony?

A. Yes. Exhibit No. AS-1 entitled "Exhibit of Ashley Sizemore" was prepared under my direction and supervision. The contents of my exhibit were derived from the business records of the company and are true and correct to the best of my information and belief. It consists of the following three documents:

Document No. 1	CETM Schedules for the period 2022 through 2024.
Document No. 2	CETM Schedules for 2025
Document No. 3	2025 CETM billing determinants and factors

Q. Are you sponsoring any sections of Tampa Electric's Minimum Filing Requirement ("MFR") Schedules?

A. No.

Clean Energy Transition Mechanism ("CETM")

Q. What is the CETM?

A. As part of the 2021 Stipulation and Settlement Agreement ("2021 Agreement") that resolved Tampa Electric's last base rate case, Tampa Electric removed the costs associated with: (1) the undepreciated net book value of Big Bend Units 1, 2, and 3 as of December 31, 2021; (2) the undepreciated net book value of retired Automatic Meter Reading ("AMR") assets; and (3) the dismantlement reserve deficiency associated with Big Bend Units 1 through 3 from the company's 2022 base rate revenue requirement and the Environmental Cost Recovery Clause ("ECRC"). The 2021 Agreement specifies that recovery for these costs will occur on a levelized basis over 15 years through a separate line item on customer bills beginning with the first billing cycle of 2022.

Q. How does the CETM work?

C17-1706

A. The net book value of the retired Big Bend Units 1 through 3 assets, costs associated with approved environmental projects for those units previously recovered through the ECRC, and the retired AMR assets as of December 31, 2021 totaled $517,679,492. The company removed these costs from the company's 2022 base rate revenue requirement and from the ECRC. Then, the company added projected dismantlement costs, totaling $111,088,808, to calculate the total CETM asset. Then the rate of return was applied to the amortizing book value of the CETM asset to create the total 15-year revenue requirement. Lastly, this total revenue requirement was converted into the annual levelized revenue requirement of $68,550,000. This annual levelized revenue requirement was then converted into CETM charges for each rate class.

The 2021 Agreement requires Tampa Electric to periodically update these CETM factors and to complete a final true-up at the end of the 15-year period to ensure that the total amount recovered through the CETM equals the annual adjusted revenue requirement for various circumstances and for any over or under-recovery.

Q. How does the CETM benefit customers?

C17-1707

A. The 2021 Agreement explains that the CETM benefits customers by providing for levelized annual recovery, which means that the annual revenue requirement is lower in the early years than it would be under a traditional ratemaking approach. The 2021 Agreement also acknowledges, however, that this approach has a corresponding cost to the company in that Tampa Electric recovers less expense in the early years than it would under traditional cost recovery. Tampa Electric agreed to the CETM with the understanding that it would remain in effect for the entire 15-year period.

Q. Under what circumstances are the CETM charges adjusted?

A. The 2021 Agreement specifies that the CETM charges will be adjusted in four circumstances. First, the CETM billing factors will be adjusted periodically. Second, the CETM charge will be adjusted prospectively to reflect changes to the company's overall rate of return each time the company's midpoint return on equity is reset. Third, once dismantlement of the retired Big Bend assets is complete, the company will adjust the CETM factors to reflect the actual costs associated with dismantlement. Finally, the CETM annual recovery amount will be adjusted prospectively each time federal or state income tax is increased or decreased to apply those new rates in the revenue

C17-1708

requirement calculation.

Q. How often are the CETM factors periodically adjusted?

A. The 2021 Agreement requires the company to update the CETM factors every three years beginning in 2024. For each update, the company must calculate new charges based on the new forecasted billing determinants and allocation factors.

Q. Has the company's overall rate of return changed since the CETM went into effect?

A. Yes. In Docket No. 20220122-EI, Order No. PSC-2022-0322-FOF-EI, issued on September 12, 2022, the Commission approved Tampa Electric's filing to increase the company's midpoint return on equity by 25 basis points from 9.95 to 10.20 percent pursuant to the "Trigger" provision of the 2021 Agreement. In Docket No. 20220161-EI, Order No. PSC-2022-0400-TRF-EI, issued on November 17, 2022, the Commission approved an adjustment to increase the CETM revenue requirement to $69,168,529 to reflect this higher return on equity. As a part of this 2022 filing, the company also updated the CETM factors effective with the first billing cycle in January of 2023.

C17-1709

Q. Has the company adjusted the CETM revenue requirement to reflect the final dismantlement costs for the retired Big Bend assets?

A. No. Tampa Electric began its dismantlement of Big Bend Units 1 through 3 in 2021. The company estimates this work will be completed by December 2027. Beginning in April 2022, the dismantlement reserve was depleted and incremental dismantlement spend deficiencies were recognized in the CETM asset.

Q. Have there been any changes to state or federal taxes that would require an adjustment to the CETM?

A. No. There have not been any changes to state or federal taxes that would require an adjustment to the CETM.

Q. How much did Tampa Electric recover through the CETM charge in 2022?

A. Tampa Electric recovered $70.8 million, creating an over-recovery of approximately $2 million as compared to the adjusted CETM annual revenue requirement of $68.55 million.

Q. How much did Tampa Electric recover through the CETM charge in 2023?

A. Tampa Electric recovered $71.2 million, creating an over-recovery of approximately $2 million.

Q. What does Tampa Electric project it will recover through the CETM in 2024?

A. Tampa Electric projects it will recover $69.9 million through CETM revenues, creating an over-recovery of approximately $0.8 million. This is reflected on Exhibit No. AS-1, Document No. 1.

Q. How does Tampa Electric plan to address any net over- or under-recovery during the years 2022-2024?

A. Based on current and projected CETM revenues, Tampa Electric projects the total over-recovery, with interest, to be $5,293,472 million. The company proposes to amortize this over-recovery over the next three-year period beginning with the first billing cycle in 2025. This is reflected on Exhibit No. AS-1, Document No. 2.

Q. What is Tampa Electric proposing as its new return on equity for 2025?

C17-1711

A. In this proceeding, Tampa Electric is proposing a ROE of 11.5 percent. After adjusting the CETM revenue requirement to reflect this equity return, the revenue requirement increases from $69.1 million to $70,937,745. This amount differs from the CETM revenue in MFR Schedule C-5, because Document No. 2 was prepared after the finalization of the MFR schedule.

Q. Please summarize the proposed CETM cost recovery factors by metering voltage level for the period beginning in January 2025.

A. The proposed CETM cost recovery factors are below.

<u>Rate Schedules</u>		<u>Energy Rate ¢/kWh</u>
		Rates
RS (up to 1,000 kWH)		0.417
RS (over to 1,000 kWH)		0.417
RSVP-1	(P1)	0.417
	(P2)	0.417
	(P3)	0.417
	(P4)	0.417
GS, GST		0.429
CS		0.429
LS-1, LS-2		0.046
GSD Optional		
Secondary		0.279
Primary		0.279
Subtransmission		0.279

C17-1712

Rate Schedule	Billing Demand $/kW	Supplemental Demand $/kW	Standby Dem. LFRC $/kW	Standby Dem. PSRC Monthly $kW	Standby Dem. PSDC Daily $/kW
GSD, GSDT, SBD, SBDT					
Secondary	$1.17	$1.17	$1.17	$0.14	$0.05
Primary	$1.17	$1.17	$1.17	$0.14	$0.05
Subtransmission	$1.17	$1.17	$1.17	$0.14	$0.05
GSLDPR,GSLDTPR, SBLDPR, SBLDTPR Primary	$0.88	$0.88	$0.88	$0.10	$0.04
GSLDSU,GSLDTSU, SBLDSU,SBLDTSU, Subtransmission	$0.54	$0.54	$0.54	$0.07	$0.02

Q. How did Tampa Electric develop these proposed CETM factors?

A. The 2021 Agreement required Tampa Electric to allocate Big Bend-related costs using the cost allocation methodology proposed in that settlement associated with production plant cost (*i.e.*, the Four Coincident Peak method). The 2021 Agreement required the company to allocate the AMR-related costs based on the allocation factor for meter plant cost reflected in the cost-of-service study utilized in the 2021 rate case. The company also agreed to recover CETM costs from demand-metered customers on a demand basis and on an energy basis from non-demand metered customers.

Tampa Electric followed the same approach here, except that the company used the cost allocation methodology and cost of service study described in the testimony of Tampa Electric witness Jordan Williams to develop the factors, as opposed to the methodology and study from the 2021 rate case. Document No. 3 of my exhibit shows the factors were developed.

Q. How does Tampa Electric's proposed residential CETM adjustment factor of 0.417 cents per kWh compare to the CETM factor for the January 2024 through December 2024 period?

A. The proposed CETM factor of 0.417 cents per kWh is 0.013 cents per kWh (or $0.13 per 1,000 kWh) lower than the residential CETM factor of 0.430 cents per kWh for the January 2024 through December 2024 period.

TAMPA ELECTRIC'S PERFORMANCE UNDER THE FLORIDA ENERGY EFFICIENCY AND CONSERVATION ACT

Q. You previously stated that your responsibilities include oversight over the Energy Conservation Cost Recovery

Clause. Can you describe the activities for which Tampa Electric seeks cost recovery through that clause?

A. The Energy Conservation Cost Recovery Clause allows public utilities to seek cost recovery for energy conservation programs conducted under FEECA.

Q. Please provide a high-level overview of the requirements of FEECA.

A. Under FEECA, the Commission is required to adopt appropriate energy conservation goals for each utility subject to FEECA to be reviewed at least every five years. The utilities are then required to develop plans and programs to reach those goals and submit them to the Commission for approval. These are known as demand side management plans, or "DSM Plans." Once the Commission sets goals and approves a DSM Plan for a utility, that utility can then seek cost recovery for implementation of its plan through the Energy Conservation Cost Recovery Clause.

Q. Is Tampa Electric currently operating under a Commission-approved DSM Plan?

A. Yes. The Commission approved Tampa Electric's current FEECA

C17-1715

goals on November 26, 2019 in Order No. PSC-2019-0509-FOF-EG. In that Order, the Commission chose to continue with the goals established in the prior FEECA Goals Setting proceeding for the period 2020-2024. The Commission approved the company's current DSM Plan based on those goals on August 3, 2020 in Order No. PSC-2020-0274-PAA-EG.

The Commission will conduct a proceeding this year to establish the company's new goals for the period 2025-2034 and to approve a new DSM Plan based on those goals.

Q. What is Tampa Electric's philosophy regarding energy efficiency and conservation?

A. Tampa Electric has historically been very supportive of energy efficiency and conservation efforts. In fact, the company began offering DSM programs prior to the enactment of FEECA in 1980. Since then, the company has pursued aggressive but fair DSM Goals designed to achieve significant energy and demand savings without imposing unreasonable rate impacts on the general body of ratepayers. The company has offered numerous DSM programs designed to achieve these goals by promoting energy efficient technologies and methods to change customer behavior regarding energy usage. The company has also modified its programs over time to include new technologies.

One way to illustrate the company's continuing commitment to energy efficiency is to look at the company's proposed DSM goals during the last Commission review process and in this year's proceeding. In 2019, Tampa Electric proposed goals for summer demand and annual energy that were higher than those it proposed in the 2014 proceeding. This year, the company is proposing goals for 2025-2034 that are higher than the goals it proposed in 2019. A comparison of the company's proposed DSM goals for 2020-2029, the company's Commission-approved DSM goals for 2015-2024, and the company's proposed DSM goals for 2025-2034 is set out below:

<u>2025-2034 Proposed DSM Goals</u>

Summer Demand:	149.0 MW
Winter Demand:	197.1 MW
Annual Energy:	450.5 GWh

<u>Prior Period DSM Goals</u>

	Proposed 2020-2029	Actual 2015-2024
Summer Demand:	79.7 MW	56.3 MW
Winter Demand:	43.3 MW	78.3 MW
Annual Energy:	165.0 GWh	144.3 GWh

Q. Has Tampa Electric's approach to energy efficiency resulted in positive results for the company's customers?

A. Yes. As of the end of 2023, more than 1.5 million Tampa Electric customers have participated in the company's DSM programs. The company has conducted more than 900,000 energy audits, which educate customers on ways to use energy more efficiently. In 2023 alone, Tampa Electric performed approximately 4,090 residential walk-through energy audits and approximately 100,189 online customer-assisted energy audits. The company currently offers 35 DSM programs, which is more than any other electric utility in Florida. Tampa Electric also offers DSM Programs that have delivered substantial benefits to low-income customers. One of these programs, the Neighborhood Weatherization Program, has reached a penetration level of approximately 44 percent of all eligible homes in our service area since its inception.

These efforts have resulted in substantial energy savings for our customers. From the inception of Tampa Electric's Commission approved programs through the end of 2023, Tampa Electric achieved the following cumulative demand and energy savings:

Summer Demand: 835.4 MW

Winter Demand: 1,349.8 MW

Annual Energy: 1,950.1 GWh

These cumulative peak load achievements have eliminated the need for over seven 180 MW power plants.

Q. Does this conclude your direct testimony?

A. Yes, it does.

C17-1719

BY MR. WAHLEN:
Q And, Ms. Sizemore, you did not have rebuttal testimony, is that correct?
A No, I do not.
Q Okay. But you did prepare and cause to be filed with your direct testimony an exhibit marked AS-1, consisting of three documents?
A Yes, I did.
Q And did you prepare and cause to be filed corrections to documents number one, two and three in that exhibit on April 4th, 2024?
A Yes.
CHAIRMAN LA ROSA: Mr. Chairman, Tampa Electric would note for the record that Exhibit AS-1, as updated, has been identified as Exhibit No. 33 on the CEL.
BY MR. WAHLEN:
Q Ms. Sizemore, would you please summarize your testimony?
A Yes.
Good afternoon, Commissioners. My direct testimony discusses the clean energy transition mechanism, or the CETM, established under the company's 2021 settlement agreement. My testimony also explains how recovery under this mechanism works, and describes

Tampa Electric's proposed CETM factors which is current -- lower than the current charge for residential customers, which are to also be effective January 2025.

My direct testimony also discusses Tampa Electric's performance under FEECA, including how Tampa Electric's programs have resulted in substantial energy savings for our customers.

Since the inception of our conservation programs, customers have saved over 1,950 gigawatt hours of energy, and avoided the costs through our peak demand reduction of seven 180 power plants.

We request you consider company's excellent performance under FEECA, and also approve the CETM factors.

This concludes my summary. Thank you.

MR. WAHLEN: Ms. Sizemore is available for cross-examination.

CHAIRMAN LA ROSA: Great. Thank you.

OPC, you recognize when you are ready.

MS. WESSLING: OPC has no cross for this witness.

CHAIRMAN LA ROSA: Okay. Florida Rising/LULAC.

MR. MARSHALL: Thank you, Mr. Chairman.

EXAMINATION

BY MR. MARSHALL:
Q Good afternoon.
A Good afternoon.
Q You would agree that the vast majority of the CETM that you are working to recover for is in relation to recovering book value and recovering dismantle reserve deficiency associated with Big Bend Units 1 through 3?
A Yes, that is correct.
Q And those were coal-fired power plants?
A Yes.
Q And you would also agree that the higher the return on equity that TECO was awarded in this case, the higher that the CETM charge will be?
A Say that one more time. I am not sure I understand.
Q The higher the return on equity that TECO is awarded in this case, the higher the resulting CETM charge will be for customers?
A The ROE does have an impact on the revenue requirement, so, yes.
Q And I believe in your direct testimony, you noted that the increase in the annual revenue requirement was from $69.1 million to $70.94 million, is that right?

A Yes, with the over-recovery included?

Q And the cost recovery is via the 4CP methodology that witness Mr. Williams discusses in his testimony?

A I am sorry, say that one more time.

Q And the way that that revenue requirement is allocated to the costs -- to the classes is via the 4CP methodology that's discussed in Mr. Williams' testimony?

A Yes. The methodology used was the 4CP as described by our settlement agreement.

Q Does a customer class's projected coincident summer peak in 2025 impact the costs being recovered through the CETM mechanism?

A I just want to make sure I understand. Are you asking about the coincident peak for 2025?

Q Yeah, I am asking if that -- if a customer class's, yeah, coincident peak for 2025 impacts the costs for your purposes that are being recovered through the CETM mechanism?

A That's outside of my area of expertise. That's more for Jordan Williams.

Q Not your knowledge, fair to say?

A I can't speak to that.

Q Okay. Well, let me ask it this way: If TECO were to revive the projected coincident summer peaks

from the classes in 2025, for the test year, would that have any impact on the annual revenue requirement for the CETM?

MR. MOYLE: I am objecting. It's been asked and answered.

CHAIRMAN LA ROSA: Yeah. Sustained. Yes, twice.

MR. MARSHALL: Just to be clear, Mr. Chairman, I think the answer then was that the witness just doesn't know whether that's an impact --

CHAIRMAN LA ROSA: It's outside of her scope, that was what I recall her saying.

BY MR. MARSHALL:

Q So just generally, do you -- I am trying to get at what impacts the annual revenue requirements for the test year for the CETM. Do you have any understanding?

A Whatever the Commission prescribes for the methodology for the cost of service would be the employed under the CETM calculation.

Q I am not trying to get that cost of service right now. I am just trying to get at the revenue requirement itself. Do you have any un -- do you have an understanding of where the revenue requirement for the CETM comes from?

A   Yes.
Q   And so what factors affect the revenue requirement for the 2025 test year?
A   It's impacted two ways. The adjustment through an ROE, or whatever weighted average -- weighted average cost of capital, as well as the true-ups? So whenever we have periodic true-up, that would be adjusted.
Q   And what affects those true-ups?
A   Over- or under-recoveries.
Q   And what would make you over- or under-recover?
A   The revenues associated with the sales.
Q   If I could direct your attention to Exhibit FLL-236. This is master number F3.4-14799. Do you have it open?
A   I do.
Q   Okay. This was one of your work papers supporting your testimony?
A   Yes, it is.
Q   If you go to the tab revenue requirements, you know, that shows that $70.94 million revenue requirement at the top of the page?
A   Give me just a moment to get there.
Q   Sure.

A You said tab revenue requirement?

Q Yes.

A Okay. It's loading.

Q Did it load?

A It has, yes.

Q Okay. And so it does have that revenue requirement at the top of the page?

A Yes. The revenue requirement states 70.9.

Q And it shows that 93 percent of the costs being recovered are associated with Big Bend?

A Yes.

Q And this shows the cost allocation of this mechanism to the various classes, and that would be from Mr. Williams, is that right?

A That is correct.

Q If I could next direct your attention to the tab summary. And this shows the -- is it correct that this tab shows, by class, the difference between the current revenue and the proposed revenue under this mechanism?

A Yes. That is correct.

Q And residential customers actually even get a slight decrease, is that correct?

A Yes. That is correct.

Q And classes GSD, GSLDPR and GSLDSU all get

increases?

A Yes, based on this spreadsheet.

Q And do you know if the previous allocation factors used for these classes were set in the 2021 settlement?

A Yes, the methodology was from the settlement.

Q If I could next direct your attention to admitted Exhibit No. 81. This is going to be master page C26-2754.

Do you recognize this document?

A Yes. It looks like the document from our conservation clause.

Q And in your direct testimony, you testified about TECO's FEECA performance, is that right?

A Yes, I did.

Q And this shows the actual conservation program costs -- or program in 2023, is that right?

A Yes. I can't see the entire document, but it looks that way.

Q And total spending in 2023 was $47 million -- well, a little over $47 million? You should be able to scroll and zoom.

A Yes, it looks like the total was 47.1 million.

Q And a little under $23 million of that was credits in the industrial load management program for

GSLM 2 and 3?

A Where do you see it on this document?

Q So that would be line, that says D0083506, Industrial Load Management (GSLM 2 and 3), and then the column Incentives?

A The 22.7 million?

Q Yes.

A Yes, I see it.

Q And another four-and-a-half million was credits for -- to standby generator?

A How much did you say?

Q Around four-and-a-half million.

A That's what this document reflects.

Q And a little over 3.8 million was on commercial demand response?

A Sorry, I am trying to find it on here.

Q It might just be listed as demand response.

A Yes, that's what it was. What was the listed number you said?

Q A little over 3.8 million.

A Yes. That's what is reflected here.

Q And that's a majority of the total spending?

A There are other costs in there, but, yes, I would agree that is an amount -- fair amount.

Q If I could next direct your attention to

FLL-94. This is Exhibit 554 on the CEL, master number F3.1-2636. And this was an interrogatory regarding curtailable and interruptible customers and events, is that right?

A Yes.

Q If I could have you scroll two pages down to the table. And this shows the interruptions since 2019 for those customers?

A Yes. This table reflects the curtailable events in the last five years.

Q And it will -- actually, it's now more than five years since January of 2019?

A That's correct, but it I --

Q And there was another one on November 11th, 2023, is that correct?

A Yes, that's what this table reflects.

Q And it lasted for 90 minutes?

A Yes, that's what this table reflects.

Q And for classes GSLM 2 and 3, there is about 20 of those customers that fall into that bucket?

A At the time, yes, 20.

Q And it has been roughly stable about 20 --

MR. WAHLEN: Can I -- I am confused. I am losing the plot here. This witness is talking about FEECA performance. That's the scope of her direct testimony. I am not sure how this relates to the company's FEECA performance. It may be a rate design issue to talk with Mr. Williams about, but it's not clear to me why our FEECA performance witness is being asked about the level of interruptions.

CHAIRMAN LA ROSA: Sure. Can I have a response from the other counsel?

MR. MARSHALL: Yes. Well, the interruptions fall under the FEECA program, and that's where the spending comes from. And if I ask these questions of Mr. Williams, I can almost guarantee you he is going to say he doesn't know anything about these interruptions and point back to this witness. Unfortunately, this is when she is up on the stand.

CHAIRMAN LA ROSA: Understood.

MR. WAHLEN: But I still don't understand what this has to do with FEECA performance. We -- I don't understand what this has to do with FEECA performance.

We are -- you know, are we meeting the goals? Are we performing in accordance with the Commission's guidelines? All of that is performance. This is a level of interruption. I don't see how it's relevant.

CHAIRMAN LA ROSA: Mr. Moyle.

MR. MOYLE: I would just join in any objection. I think there was testimony earlier as apples and oranges on the credits. She is talking about apple and he is asking about oranges.

MR. MARSHALL: Well, it's a little ironic hearing this from Mr. Moyle, who, just a couple weeks ago, sat here and said this is the exact docket that we need to be discussing these issues in, and so that's what I am attempting to do through this witness, which is through a FEECA program.

MR. WAHLEN: Well, there is not an issue in this case about the level of the interruptible credits. That was resolved in the FEECA goals docket by stipulations. So, like I said, I am losing the plot. I don't see how this is relevant to this witness' direct testimony.

MR. MARSHALL: We did put in testimony on that very issue that we heard a summary of earlier today. And in the FEECA docket, the specific stipulation was that that was, because there was a preexisting settlement controlling this time period, that that, you know, wouldn't be addressed at that time. There was nothing in that stipulation in the FEECA docket that said anything about finding any decision in this rate case.

MR. WAHLEN: I still don't see an issue in this case on the level of interruptible credits, so --

CHAIRMAN LA ROSA: I am going to go to my legal advisors on this.

MS. HELTON: May I have two minutes to confer with staff, because I want to make sure that I understand?

CHAIRMAN LA ROSA: Yes.

MR. MARSHALL: If I may add one more thing?

CHAIRMAN LA ROSA: Yeah, please.

MR. MARSHALL: It also goes to the additional issue that this commission will be considering in its rate design as to the impact that it's going to be having on classes. If certain classes are receiving a large amount of bill credits, that should be considered in this commission's decisions on how that -- the rate design issues will impact those classes.

MR. WAHLEN: And I have no objection to him asking Mr. Williams about that.

MR. MARSHALL: I am concerned that Mr. William isn't going to know anything about this.

CHAIRMAN LA ROSA: Understood.

MS. HELTON: Well, let me ask this before I confer with staff. So the questions that Mr. Marshall is trying to ask now, which I think that are -- if we decide it's relevant, can you promise that Mr. Williams will be able to answer those questions that this witness now on the stand can't?

MR. WAHLEN: Can I --

MS. HELTON: I mean, is he prepared to do that?

MR. WAHLEN: -- I mean, I anticipate that he could. Yes.

MR. MARSHALL: I mean, if Mr. Williams can answer all these questions, that's fine with me. But we have a series, and I am just not confident that he can.

MR. WAHLEN: Well, I mean --

MR. MARSHALL: If we are open with recalling this witness, then I am fine dropping this line.

MR. WAHLEN: I am -- I guess he can ask, and if she doesn't know, she doesn't know. But she's not the right witness. And Mr. Marshall had an opportunity to depose Mr. Williams and find out everything that he knows about this stuff. So if he doesn't know what Mr. Williams knows, I don't know what to say.

MR. MARSHALL: Testing my memory here, but, yes, we did depose Mr. Williams, and I recall that he thought that the questions were better posed to this witness, but my memory is getting fuzzy at this point.

CHAIRMAN LA ROSA: Let's take a two-minute break.

(Brief recess.)

CHAIRMAN LA ROSA: I think we are be ready to hear from staff. Sorry, that's me. Should be free now.

MS. HELTON: Thank you, Mr. Chairman.

CHAIRMAN LA ROSA: Yeah.

MS. HELTON: Mr. Wahlen just approached me, and I think that he and Mr. Marshall have reached an amicable resolution on how to address this question.

CHAIRMAN LA ROSA: Great.

MR. WAHLEN: My understanding is that Mr. Marshall would like this document, and maybe one other, into the record. I don't know that it's relevant to this particular issue, but he thinks it is, but we are not going to object to those two documents going in. If he will identify the second

one, maybe we can just --
     MR. MARSHALL: Yeah. The second one is Exhibit FLL-174, master -- or CEL Exhibit 634, and it's at master F3.3-5312.
     MR. WAHLEN: Can we at least look at it and see what --
     MR. MARSHALL: Yes. Yes. Of course. And I was hoping we could bring it up and just have the witness confirm what the document is and see if there --
     CHAIRMAN LA ROSA: Yeah, you may need to repeat that. Brian, did you grab the number? Okay, go ahead and repeat the number.
     MR. MARSHALL: It's F3.3-5312.
     MR. MOYLE: And we had joined in the objection. I mean, the credits are not issued in this case, so I am still not tracking this well.
     MR. MARSHALL: There are several issues --
     MR. MOYLE: A little bit like, you know, no surprise thing, and now we are going down a credit path. I mean, we had that in the goals docket recently and --
     MR. MARSHALL: Do I need to read Mr. Moyle the testimony that's already been admitted today about the credit issue?

MR. MOYLE: Well, you made a representation that one of my witnesses took the stand and started talking about credits. I don't think that was right.

MR. MARSHALL: We can pull it up and in Case Center admitted testimony of Mr. Marcelin talking about the credits. The time to object to that was long ago.

CHAIRMAN LA ROSA: Let's focus on the exhibit and then we will come back to that.

So what we have pulled up on the screen -- I am assuming you guys have also had a chance to review this, or are reviewing this.

MR. WAHLEN: Tampa Electric doesn't object to this one or the other one going into the record. Now, Mr. Moyle may --

CHAIRMAN LA ROSA: Sure. Mr. Moyle.

MR. WAHLEN: -- we don't, but I don't -- I did not understand. I do not see an issue in the Prehearing Order on the level of the credits. That's fairly clear to me.

MR. MOYLE: Nor did I.

I want to move this thing along. I am not going to object. We will allow it in. But I am feeling a little surprised by this at this point, but I won't object.

CHAIRMAN LA ROSA: Okay.

MR. MARSHALL: It sounds like the issue may be resolved. If I could just get the witness to say what this document is for the record, and then we can end this.

CHAIRMAN LA ROSA: Before you get there, I just want to go back to the staff. Both objections have been pulled, are we okay?

MS. HELTON: Mr. Chairman, at this point, I would recommend when it -- at the appropriate time, that you admit both of these exhibits to which Mr. Marshall and Mr. Wahlen have agreed. And then at the -- then when it comes time to make your decision on the issues that have been identified in Prehearing Order, to the extent that these are relevant, staff will bring that to your attention.

CHAIRMAN LA ROSA: Okay. We will do that towards the end of this series.

Okay. So let's continue.

BY MR. MARSHALL:

Q Do you recognize this document?

A I do not.

Q You do not, okay. But does it appear to be the interruption report from November 11th, 2023, which

was one of those interruptions?
A That's what the title says, but I don't recognize this report.
Q Thank you.
MR. MARSHALL: That's all my questions.
CHAIRMAN LA ROSA: Okay. Thank you.
Let's go to FIPUG.
MR. MOYLE: I have just a couple of questions that tie into a document that Mr. Marshall showed --
CHAIRMAN LA ROSA: Okay.
MR. MOYLE: -- and it is FLL-236. It's the summary worksheet. Thank you. No -- that's it.

EXAMINATION

BY MR. MOYLE:
Q You were asked some questions by Mr. Marshall about this document, right?
A We are trying to get it up on here.
Q Oh, I am sorry. Tell me when you are ready.
A Sure. It's up now.
Q I understood you to describe this document as a document you prepared that shows current revenues and proposed revenues with respect to these classes going forward with the 4CP methodology, is that right?
A Yes. The methodology described in the

settlement.

Q Right. And so with respect to the residentials, under the 4CP here, the proposed revenue is less, correct?

A Yeah, the residential customers are having a lower revenue requirement.

Q And the commercials are having a higher revenue requirement, right --

A Yes.

Q -- the large industrials?

A Yes, but the reason why the residential customers are declining for the '25 factors is because they were overpaying -- or the revenue requirement was higher, the factors, so we are reducing their factors.

Q Right. And that's what you are proposing as we are going forward, correct?

A For the next true-up period, yes.

MR. MOYLE: All right. That's all I have.

CHAIRMAN LA ROSA: Great.

FEA. FEA, Federal Agencies.

CAPTAIN RIVERA: No questions, sir.

CHAIRMAN LA ROSA: FRF.

MR. WRIGHT: No questions. Thank you, Mr. Chairman.

CHAIRMAN LA ROSA: No problem.

Walmart.

MS. EATON: No questions. Thank you.

CHAIRMAN LA ROSA: Thank you.

Staff.

MR. SPARKS: No questions. Thank you.

CHAIRMAN LA ROSA: Commissioners, do we have any questions?

Seeing none, let's send it back to TECO for redirect.

MR. WAHLEN: Yeah, very, very briefly.

FURTHER EXAMINATION

BY MR. WAHLEN:

Q Ms. Sizemore, should the CETM be updated to reflect whatever overall rate of return is approved Commission in this case?

A Yes, whatever the approved weighted average cost of capital would be used to update the revenue requirement associated with the CETM.

Q And the factors should also be updated to reflect whatever cost of service methodology and rate design decisions are made in this case?

A Yes, I agree with that.

Q Thank you.

MR. WAHLEN: That's all my questions.

CHAIRMAN LA ROSA: Thank you.

Let's move to exhibits.

MR. WAHLEN: Tampa Electric moves Exhibit No. 33, please.

CHAIRMAN LA ROSA: Is there objection to 33?

Seeing none, show it entered into the record.

(Whereupon, Exhibit No. 33 was received into evidence.)

CHAIRMAN LA ROSA: Any other parties like to move any exhibits?

MR. MARSHALL: The exhibits that we would like to move in are 554, 634 and 696.

CHAIRMAN LA ROSA: Time to review those and note any objections.

MR. WAHLEN: No objection. I am sorry.

CHAIRMAN LA ROSA: Seeing no objections, show them entered into the record.

(Whereupon, Exhibit Nos. 554, 634 & 696 were received into evidence.)

CHAIRMAN LA ROSA: Any other exhibits to be moved in? Okay. Seeing none.

Ms. Sizemore, thank you very much. You are excused.

(Witness excused.)

CHAIRMAN LA ROSA: So it's 3:10. I do want to be consistent with having breaks. Let's take a quicker break this time, a five-minute break. Let's reconvene here at 3:15.

MR. WAHLEN: Thank you.

CHAIRMAN LA ROSA: Thank you.

(Brief recess.)

(Transcript continues in sequence in Volume 15.)

CERTIFICATE OF REPORTER

STATE OF FLORIDA)
COUNTY OF LEON)

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

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

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

DATED this 6th day of October, 2024.

DEBRA R. KRICK
NOTARY PUBLIC
COMMISSION #HH575054
EXPIRES AUGUST 13, 2028