

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

In re: Petition for rate increase by  
Tampa Electric Company.

DOCKET NO.: 20240026

FILED: October 21, 2024

**THE FLORIDA INDUSTRIAL POWER USERS GROUP'S POST-HEARING  
STATEMENT OF ISSUES AND POSITIONS AND POST-HEARING BRIEF**

The Florida Industrial Power Users Group (FIPUG)<sup>1</sup>, by and through undersigned counsel, files its Post-Hearing Statement of Issues and Positions and Post-Hearing Brief.

**BASIC POSITION AND CLOSING ARGUMENT<sup>2</sup>**

TECO's total rate case request is overstated, as the company seeks to increase customer rates by nearly thirty (30) percent during the next three years, featuring a significant twenty (20) percent rate increase in 2025 alone. A host of adjustments are in order that will meaningfully reduce TECO's total rate case request of \$296.6 million dollars. These adjustments are supported by competent substantial evidence adduced at the rate case hearing held on August 26, 2024 through August 30, 2024.

---

<sup>1</sup> FIPUG was granted intervenor status in Order No. PSC-2024-0125-PCO-EI (April 23, 2024) and is referred to as FIPUG. Throughout this brief, Tampa Electric Company is referred to as TECO. The Office of Public Counsel is referred to as OPC. The Florida Retail Federation is referred to as FRF. Florida Rising, Inc. and the League of United Latin American Citizens of Florida are referred to as LULAC. The Federal Executive Agencies are referred to as FEA. The Sierra Club is referred to as SIERRA.

<sup>2</sup> Chairman LaRosa inquired about the parties providing closing statements, which FIPUG supported. TR. 3789, 3791. Staff subsequently recommended that closing arguments not be presented at the close of hearing but suggested that parties could make a closing argument in their respective post-hearing brief. Thus, FIPUG has opted to set forth its basic position and incorporate its closing statement as part of FIPUG's basic position.

## **FOUR COINCIDENT PEAK RATE DESIGN APPROACH**

The competent substantial evidence of record supports the continued allocation of production and transmission plant costs using the Four Coincident Peak (4 CP) rate design approach. The 4 CP rate design approach measures TECO's system peaks once a month during the system peak in the hottest months of June, July, and August, and once during the coldest month, January. TR 3738. A key principle of cost allocation and rate-making is that a customer class that causes certain costs should pay for those costs caused. TR. 3683. The 4 CP approach was agreed to unanimously in the 2021 Settlement Agreement and approved by the Commission, and properly allocates costs to the customer classes that are the cause of those costs. TR. 3784-3787. The 4 CP approach best reflects cost causation in relation to TECO's peak demands, a fact testified to by TECO's witness Jordon Williams, TR. 3675, FIPUG witness Jeff Pollock, TR. 2670-2672, and FEA witness Mike Gorman, TR. 3060. FIPUG, FEA, and TECO all support the 4 CP methodology.

TECO has been transitioning away from the 12 Coincident Peak (12 CP) rate design approach for many years, as TECO's generating fleet is less reliant on coal-fired generating plants and more reliant on natural gas generating units, which are better able to handle load variations, reducing the need to measure load peaks every month, done with the 12 CP approach. TECO's changed generating fleet, as testified to by TECO expert witness Jordon Williams, provides further support for the continuation of the 4 CP rate design. TR. 3787. The 4 CP approach also advances the Florida Legislature's 2024 energy policy goal of promoting economic growth by providing a fair and reasonable economic benefit to existing TECO large customers in the commercial and industrial rate classes.<sup>3</sup> TR. 3787-3788. While LULAC opposed the 4 CP approach, its only witness to address the matter admitted that he supported the 4 CP approach when he served as a

---

<sup>3</sup> TECO's economic development efforts focus on recruiting and prospecting for prospective new business customers. See Commission Rule 25-6.0426, Florida Administrative Code, Recovery of Economic Development Expenses. The Legislature recently made supporting economic growth an express energy policy goal, which includes supporting current TECO business customers, including the large Florida commercial and industrial businesses, that have operated in the state for many years, provided scores of jobs, and supported the local communities in which these businesses are located. A Commission decision to continue supporting the 4 CP methodology, with its recognized economic support for existing Florida businesses, is consistent with and advances the recent Legislative direction on the state's energy policy as set forth in section 377.601, Florida Statutes. "...[T]he state's energy policy must be guided by the following goals: (f) Supporting economic growth. See Section 377.601(2)(f), Fla. Statutes.

Texas Public Utility Commissioner and that the Texas Utility Commission continues to use the 4 CP approach today to allocate production and transmission costs. TR. 2627-2631. Competent, substantial evidence of record and legislative policy supports the maintenance of the 4 CP design approach to allocating costs.

### **MINIMUM DISTRIBUTION SYSTEM**

FIPUG, FEA, and TECO also support the use of the minimum distribution system (MDS) rate design approach, a cost allocation methodology that the Commission has previously approved and which more fairly allocates to customer classes utility costs to provide distribution service. The MDS approach recognizes that the distribution network must be ready to serve customers, irrespective of the amount of power and energy used by customers. Allocating a portion of distribution network costs on the number of customers recognizes the readiness to serve. Accordingly, using MDS to allocate distribution network costs based on the number of customers, which is consistent with cost causation, is the proper approach. Competent, substantial evidence supports continuation of this approach as FIPUG witness Pollock, FEA witness Gorman, and TECO witness Williams all provide testimony in support of the MDS approach. The MDS is supportable for many of the same reasons the 4 CP approach and should be used to allocate distribution costs among the rate classes.

### **RETURN ON EQUITY**

TECO asks the Commission to award them the highest ROE of any regulated utility in the country. The weight of the evidence does not support such action but instead shows that TECO is able to operate its utility assets effectively and efficiently, serve its current customers, make reasonable investments to serve future customers, recruit and retain skilled employees, and provide its equity investor Emera Energy with a reasonable return on its capital investment, under a ROE of less than 10 percent.

TECO's requested Return on Equity (ROE) of 11.5% is 130 basis points higher than the 10.2% percent ROE that was unanimously agreed to by all the parties in the 2021 Settlement Agreement. The nationwide average ROE for vertically integrated electric investor-owned utilities in rate case decisions during 2023 and through May of 2024 is 9.78%, 172 basis points less or approximately \$106 million dollars less than TECO's ROE request. FIPUG supports a Return on Equity (ROE) of less than 10%.

### **SUPER OFF-PEAK PERIOD SHOULD NOT BE ADOPTED**

FIPUG does not support the drastic changes in the time-of-use rating periods proposed by TECO. Specifically, the proposed Super Off-Peak period would set very low energy prices during daytime hours. The proposal, which relies solely on speculative projections of marginal energy prices, lacks foundation. It also would be unprecedented. No other utility in Florida with significant solar capacity has a similar low-cost rating period during daytime hours. TECO's proposed change would be both disruptive (requiring customers to fundamentally change their usage patterns) and would encourage more energy usage during daytime hours when TECO generally experiences its highest electricity demand, which is contrary to long-standing practice. The testimony of FIPUG's witness Jeff Pollock provides competent substantial evidence to justify not adopting TECO's proposed Super Off-Peak rating periods.

### **CONSUMER PROTECTION MECHANISMS SHOULD BE ADOPTED IF TECO'S SOLAR PROJECTS ARE APPROVED**

TECO has not provided any assurance or guarantee that its proposed solar plants will not exceed the projected construction costs nor that its proposed solar plants will earn production tax credits as projected. Absent such guarantees, customers have no certainty of receiving the promised benefits. TECO witness Aponte testified that one of TECO's solar projects was found by TECO not to be cost effective when conducting its review and analysis of the solar projects. TR. 1052-1053.

Should the Commission approve TECO's solar projects, it should impose consumer protections. TECO has previously agreed to certain consumer protections related to solar projects and the Commission has approved consumer protection measures for proposed solar projects. Consumer protection measures would more equitably spread the risk of TECO's proposed solar plants performing as TECO suggests. FIPUG witness Ly suggests imposing \$1,609/kW cost cap, which is the average amount that TECO says its solar projects will cost.

The Commission should also hold TECO to its projections of the production tax credits as found in its cost-effectiveness analysis, regardless of actual performance of the proposed solar units. The Commission should establish a minimum 26 percent annual operating capacity factor to ensure that customers receive the projected benefits. Finally, any TECO proposed solar units approved by the Commission should be depreciated over 35 years rather than 30 years.

For the reasons set forth herein, the Commission should limit TECO's rate request to sums actually needed and add consumer protection measures as supported by FIPUG and the record in this case.

## **ISSUES AND POSITIONS**

### **2025 TEST PERIOD AND FORECASTING**

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

**FIPUG:** Yes. However, adjustments are recommended by the Office of Public Counsel ("OPC") should be made.

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

**FIPUG:** Adopt the position of OPC.

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

**FIPUG:** Adopt the position of OPC.

### **QUALITY OF SERVICE**

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

**FIPUG:** Yes.

### **DEPRECIATION AND DISMANTLEMENT STUDY**

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

**FIPUG:** Adopt the position of OPC.

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

**FIPUG:** The implementation date should be effective on the date that rate adjustments in this case are effective.

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

**FIPUG:** Adopt the position of OPC.

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

**FIPUG:** Adopt the position of OPC.

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

**FIPUG:** Imbalances should be via the remaining life approach.

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

**FIPUG:** Yes.

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

**FIPUG:** Adopt the position of OPC.

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

**FIPUG:** Adopt the position of OPC.

### **2025 RATE BASE**

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

**FIPUG:** Adopt the position of OPC.

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

**FIPUG:** Adopt the position of OPC.

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

**FIPUG:** Adopt the position of OPC.

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

**FIPUG:** Adopt the position of OPC.

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

**FIPUG:** Adopt the position of OPC.

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

**FIPUG:** No. TECO has not demonstrated that the proposed Solar Projects are cost effective. Further, TECO’s cost-effectiveness analysis used inflated natural gas prices and assumed a value for carbon emissions, despite the fact that a tax on fossil fuel emissions has never been enacted at the state or federal level and there is no pending legislation to do so. Further, accounting for reduced emissions while also recognizing production tax credits effectively disadvantages fossil fuel generation. In the event that the Commission approves the Solar Projects, it should impose various consumer protections, including a \$1,609/kW cost cap, ensure that TECO credits at least 100% of the production tax credits projected by TECO in its cost-effectiveness analysis (regardless of actual performance), and establish a minimum 26% annual operating capacity factor to ensure that customers receive the projected benefits as suggested by FIPUG witness Ly.

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

**FIPUG:** Adopt the position of OPC.

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

**FIPUG:** Adopt the position of OPC.

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

**FIPUG:** Adopt the position of OPC.

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

**FIPUG:** No, not at this time as the project has materially changed.

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

**FIPUG:** Adopt the position of OPC.

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

**FIPUG:** Adopt the position of OPC.

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

**FIPUG:** Adopt the position of OPC.

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

**FIPUG:** Adopt the position of OPC.

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

**FIPUG:** Adopt the position of OPC.

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

**FIPUG:** Adopt the position of OPC.

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

**FIPUG:** Adopt the position of OPC.

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

**FIPUG:** Adopt the position of OPC.

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

**FIPUG:** Adopt the position of OPC.

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

**FIPUG:** Adopt the position of OPC.



## DISCUSSION

TECO asserts that the Future Solar Projects would save \$798 million in fuel costs over their expected 35-year lives and generate another \$252 million in production tax credits (“PTCs”). However, TECO’s cost-effectiveness analysis was based on inflated natural gas prices and assumed a speculative carbon tax on fossil fuel emissions would be implemented, despite the fact that no such tax has ever been enacted at the state or federal level and there is no pending legislation to do so. TR. 2782, 903. Assuming a monetary value for reduced carbon emissions while also recognizing production tax credits effectively disadvantages fossil fuel generation. Further, the projected PTCs, which comprise a significant portion of the benefits of the future solar projects, are dependent upon these resources generating at the production levels expected by TECO. TR. 2707-2708, 2766, 2770.

Thus, it is essential to condition approval of these projects by imposing a construction cost cap and performance guarantees to ensure that customers actually receive the benefits projected, as discussed by FIPUG witness Ly. Specifically, (1) construction costs should be capped at \$1,609/kW; (2) TECO should be required to credit customers with at least 100% of the projected production tax credits (regardless of actual performance); and (3) the net benefits to be flowed through to customers should be quantified using a minimum 26% annual operating capacity factor. Together, these consumer protections will ensure that customers receive the asserted benefits. TR. 2783-2784.

TECO solar witness Stryker acknowledged that the risks of solar projects should be allocated fairly between the company and its customers. He also confirmed that TECO has previously put in place new solar projects with certain consumer solar protection measures approved by the Commission. TECO testified that the projected cost to install solar was \$16.09 per kw hour, but the only way for consumers to be protected by a cost cap of this sum was for the Commission to specifically act and approve that cost cap figure as proposed by FIPUG witness Ly. TR. 907-910.

## 2025 COST OF CAPITAL

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

**FIPUG:** Adopt the position of OPC.

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

**FIPUG:** Adopt the position of OPC.

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

**FIPUG:** Adopt the position of OPC.

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

**FIPUG:** Adopt the position of OPC.

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

**FIPUG:** Adopt the position of OPC.

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

**FIPUG:** Adopt the position of OPC.

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

**FIPUG:** The authorized ROE should be no higher than the average ROE authorized by state regulators in rate cases decided in 2023 and 2024 involving vertically integrated electric utilities, 9.78%, as testified to by FIPUG witness Pollock.

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

**FIPUG:** Adopt the position of OPC.

### **DISCUSSION**

This group of issues concerns the appropriate capital structure to be used for setting TECO's rates, and includes the important Return on Equity (ROE) issue.

TECO's proposed 11.5% ROE is excessive when compared to the 9.78% ROE authorized by state regulatory commissions in rate cases decided in 2023 and 2024 for vertically-integrated electric IOUs. As stated in Mr. Pollock's testimony, Florida electric IOUs are not demonstrably riskier than vertically-integrated electric IOUs in other regulated states. TR. 2708.

First, the regulatory climate in Florida is very supportive of electric IOUs which translates into lower risk for investors. This directly reflects the Commission's ratemaking policies, which include: the use of a projected test year and multi-year rate plans; timely cost recovery as reflected in both interim rate increases and in the various cost recovery clauses that allow rates to be adjusted outside of a rate case; allowing a return on construction work in progress; and authorizing securitization for storm damage and other major events. These risk-lowering policies are described in a 2021 assessment of Florida regulation conducted by Regulatory Research Associates (RRA) which ranked Florida above 46 other states for investor supportiveness by giving it a score of Above Average/2. RRA stated:

*Florida regulation is viewed as quite constructive from an investor perspective by Regulatory Research Associates, a group within S&P Global Commodity Insights. In recent years, the Florida Public Service Commission has issued a number of decisions, most of which adopted multiyear settlements that were supportive of the utilities' financial health.* Florida has not restructured its electric industry, and the state's utilities remain vertically integrated and are regulated within a traditional framework. PSC-adopted equity returns have tended to exceed industry averages when established, and *the commission utilizes forecast test years and frequently authorizes interim rate increases. As a result, utilities are generally accorded a reasonable opportunity to earn the authorized returns.* In addition, a constructive framework is in place for new nuclear and integrated gasification combined cycle coal power plants that allows a cash return on construction work in progress for these investments outside of the base rate case process. Whether any of the state's electric utilities will proceed with the construction of nuclear power plants in the foreseeable future remains questionable given the challenges such projects posed for utilities in neighboring states in recent years. State law permits the electric utilities to securitize certain nuclear generation retirement or abandonment costs, and one of the state's major companies has done so. *Mechanisms are in place that allow utilities to reflect in rates, on a timely basis, changes in fuel, purchased power, certain new generation, conservation, environmental compliance, purchased gas and other costs. Additionally, the state has been very proactive in providing utilities cost-recovery mechanisms for costs related to major storms. Additionally, in 2019 the state adopted a Storm Protection Plan Cost Recovery Clause that allows utilities to seek more timely recovery of storm hardening investments outside a general rate case.* RRA currently accords Florida regulation an Above Average/2 ranking. (Section updated 4/29/21)

(emphasis added). TR. 2708-2709.

The Commission's ranking remains at Above Average/2. Only one state regulatory commission, Alabama, is ranked higher than the Florida Commission. TR. 2709.

Second, TECO recovers between 38% and 43% of its revenues through five currently-effective cost recovery mechanisms. TR. 2710. Thus, in addition to timely cost recovery, TECO

is virtually guaranteed to recover all the prudently incurred costs that are not otherwise recovered in base rates.

Third, there is no appreciable regulatory lag in setting base rates. The Commission is required to render a decision within eight months after a base rate case is filed. TR. 2710. However, because the Commission has authorized the use of a fully projected future test year, the rates approved by the Commission and placed in effect during the test year will be sufficient to recover the projected test-year cost to serve unless actual sales, investment, and expenses vary considerably from the utility's projections. Further, the Commission has consistently allowed utilities to propose subsequent year adjustments that provide for cost recovery of specific assets placed in service after the rate case test-year. Thus, there is virtually no regulatory lag in recovering the costs of future plant additions.

The absence of any appreciable regulatory lag in setting base rates also reduces TECO's regulatory risk. This, coupled with this Commission's other supportive ratemaking policies (*i.e.*, future rather than historical test year, the ability to adjust rates outside of a base rate case through separate cost recovery mechanisms), demonstrate how TECO's regulatory risk is no higher (and arguably lower) than for most other regulated vertically integrated electric IOUs. Therefore, the lower regulatory risk should translate into a lower ROE as compared to other electric IOUs regulated by less supportive commissions. TR. 2711.

Therefore, TECO's ROE should be significantly reduced from its requested 11.5%. In the past two years, no investor-owned utility has been authorized to receive an ROE this high. Ex. 82, TR. 2755. All of the intervenors seek significantly lower, single digit ROEs that range from 9.5% to 9.78%. The intervenors' respective specific positions on the appropriate ROE to be awarded are:

- OPC: 9.50%;
- LULAC: 9.50%;
- FIPUG: No higher than 9.78%, the average of commission-awarded ROEs by state regulators to vertically integrated electric utilities in 2023 and 2024;
- FEA: 9.60%;
- FRF: 9.50%;
- Walmart: 9.50%.

Expert witness testimony from OPC witness Randall Woolridge, LULAC witness Karl Rábago, FIPUG witness Jeff Pollock, FEA witness Christopher Walters, and Walmart witness

Steve Chriss support these respective ROEs. The average of the ROEs put forward by the intervenors is 9.56%. The overwhelming weight of the intervenors' respective ROE witnesses is persuasive and should be accepted such that TECO receives an ROE which is 9.78% or lower. The intervenor's evidence provides competent substantial evidence that TECO is able to fulfill its service obligations to its customers with a single digit ROE rather than a double-digit ROE. TECO's 11.5% requested ROE is excessive and should be greatly reduced. Because each percentage point of ROE is worth \$63.19 million in rates, awarding a ROE of 9.5% rather than 11.5% results in a savings to customers of slightly more than \$126 million. (TR. 401).

### **2025 NET OPERATING INCOME**

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

**FIPUG:** Adopt the position of OPC.

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

**FIPUG:** Adopt the position of OPC.

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

**FIPUG:** Adopt the position of OPC.

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

**FIPUG:** Adopt the position of OPC.

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

**FIPUG:** Adopt the position of OPC.

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

**FIPUG:** Adopt the position of OPC.

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

**FIPUG:** Adopt the position of OPC.

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

**FIPUG:** Adopt the position of OPC.

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

**FIPUG:** Adopt the position of OPC.

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

**FIPUG:** Adopt the position of OPC.

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

**FIPUG:** Adopt the position of OPC.

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

**FIPUG:** Adopt the position of OPC.

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

**FIPUG:** Adopt the position of OPC.

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

**FIPUG:** Adopt the position of OPC.

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

**FIPUG:** Adopt the position of OPC.

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

**FIPUG:** Adopt the position of OPC.

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

**FIPUG:** Adopt the position of OPC.

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

**FIPUG:** Adopt the position of OPC.

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

**FIPUG:** Adopt the position of OPC.

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

**FIPUG:** Adopt the position of OPC.

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

**FIPUG:** Adopt the position of OPC.

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

**FIPUG:** Adopt the position of OPC.

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

**FIPUG:** The Commission should adopt a consumer protection by requiring TECO to flow-through the higher of the actual production tax credits earned or 100% of the projected production tax credits associated with the proposed solar projects. Also see Issue 18.

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

**FIPUG:** Adopt the position of OPC.

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

**FIPUG:** Adopt the position of OPC.

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

**FIPUG:** Adopt the position of OPC.

**ISSUE 67:** What amount of Net Operating Income should be approved for the 2025 projected test year?

**FIPUG:** Adopt the position of OPC.

### **2025 REVENUE REQUIREMENTS**

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

**FIPUG:** Adopt the position of OPC.

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

**FIPUG:** Adopt the position of OPC.

### **2025 COST OF SERVICE AND RATES**

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

**FIPUG:** No position at this time.

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

**FIPUG:** FIPUG agrees with TECO that the Four Coincident Peak (4CP) method should be used to allocate production plant and related costs to the rate classes. The 4CP method best reflects cost causation for TECO because it recognizes that (1) TECO must have sufficient capacity to meet its peak demand and (2) TECO's peak demands regularly occur during daytime hours in the summer months and it is projecting to become a winter peaking utility. Thus, the peak demands for the months June, July, August, and January should be used to derive the 4CP allocation factors.



Production tax credits (PTCs) should be allocated on energy usage because PTCs are directly related to the megawatt-hours generated from solar projects.

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

**FIPUG:** FIPUG agrees with TECO that the Four Coincident Peak (4CP) method should be used to allocate production plant and related costs to the rate classes. The 4CP method best reflects cost causation for TECO because it recognizes that (1) TECO must have sufficient capacity to meet its peak demand and (2) TECO's peak demands regularly occur during daytime hours in the summer months and it is projecting to become a winter peaking utility. Thus, the peak demands for the months June, July, August, and January should be used to derive the 4CP allocation factors.

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

**FIPUG:** The minimum distribution system (MDS) rate design approach should be used. This methodology, previously approved by the Commission more fairly allocates utility costs to provide distribution service. The MDS approach recognizes that the distribution network must be ready to serve customers, irrespective of the amount of power and energy used by customers. Allocating a portion of distribution network costs on the number of customers recognizes the readiness to serve. Accordingly, using MDS to allocate distribution network costs based on the number of customers, which is consistent with cost causation, is the proper approach.

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

**FIPUG:** The approved revenue requirement should be determined using an accepted class cost of service study, except when it would result in a class receiving an increase higher than 1.5 times the system average base revenue increase, and no class should receive a rate decrease.

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

**FIPUG:** No position at this time.

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

**FIPUG:** No position at this time.

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

- FIPUG:** No position at this time.
- ISSUE 78:** What are the appropriate basic service charges?
- FIPUG:** The adjustments recommended by OPC should be adopted.
- ISSUE 79:** What are the appropriate demand charges?
- FIPUG:** The adjustments recommended by OPC should be adopted.
- ISSUE 80:** What are the appropriate energy charges?
- FIPUG:** The adjustments recommended by OPC should be adopted.
- ISSUE 81:** What are the appropriate Lighting Service rate schedule charges?
- FIPUG:** No position at this time.
- ISSUE 82:** What are the appropriate Standby Services (SS-1, SS-2, SS-3) rate schedule charges?
- FIPUG:** No position at this time.
- ISSUE 83:** Should the proposed modifications to the time-of-day periods be approved?
- FIPUG:** No. TECO’s proposed time-of-day periods, which include very low “Super Off-Peak” energy charges, would be unique in Florida. No other investor-owned utility in Florida similarly offers a Super Off-Peak period that encourages electricity usage during hot summer afternoons when TECO (and Florida utilities generally) regularly experiences its system peaks. This would create a perverse incentive to use more electricity during high load hours. Marginal energy costs are not the only consideration in determining time-of-day periods. Other factors, such as system loads, loss of load expectation, and the need to maintain dispatchable generation to support the integration of renewable resources must also be considered. Further, TECO’s projected marginal energy costs are not consistently low during TECO’s proposed Super Off-Peak period. Finally, TECO’s proposal would represent a drastic change from current practice, which could be very disruptive to customers.
- ISSUE 84:** Should the proposed modifications to the Non-Standard Meter Rider tariff (Tariff Sheet No. 3.280) be approved?
- FIPUG:** No position at this time.
- ISSUE 85:** Should the proposed tariff modifications to the Budget Billing Program (Fifth Revised Tariff Sheet No. 3.020) be approved?
- FIPUG:** No position at this time.

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

**FIPUG:** No position.

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

**FIPUG:** No position at this time.

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

**FIPUG:** No position at this time.

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

**FIPUG:** No position at this time.

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

**FIPUG:** No position at this time.

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

**FIPUG:** No position at this time.

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

**FIPUG:** No position at this time.

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

**FIPUG:** Yes.

### **DISCUSSION**

This group of issues is of particular importance to FIPUG given its impact upon rates for large industrial users, who are competing in regional, national, and/or international markets.

An appropriate allocation methodology should reflect cost-causation; that is, the degree to which each class caused the utility to incur the cost. Regarding the allocation of production plant,

TECO, FIPUG, and FEA all concur that the Four Coincident Peak (4CP) method best reflects cost causation for TECO because it recognizes that (1) TECO must have sufficient capacity to meet its peak demand and (2) TECO's peak demands regularly occur during daytime hours in the summer months and it is projecting to become a winter peaking utility. Additionally, TECO witness Jordon Williams noted the following reasons for not disrupting the use of the 4CP approach:

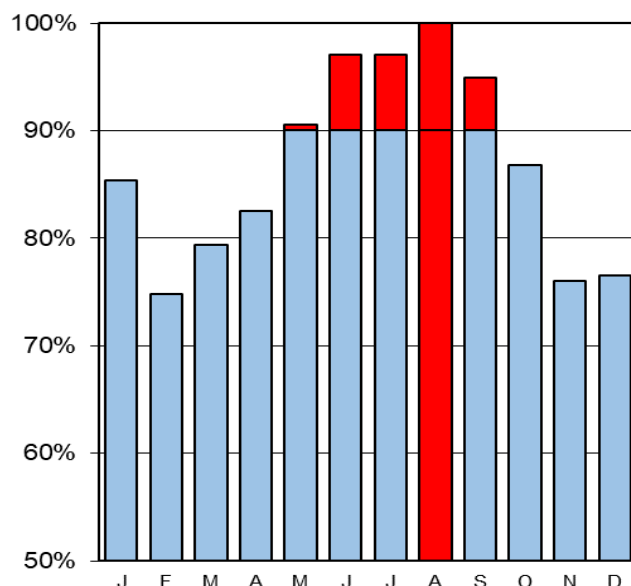
- i. 4CP reflects cost causation in relation to TECO's peak demands. Stated differently, those who are causing the costs are being fairly allocated those costs using the 4CP approach and should pay for those costs. TR. 3675, 3785-3786.
- ii. TECO has transitioned away from large, baseload, coal-fired generating units to cleaner generating resources, like solar, which has diminished the importance of shoulder months for operational planning and cost attribution purposes. TR. 3675.
- iii. 4CP is a catalyst for economic development and can make large manufacturers and other large employers in TECO's service territory more competitive. Economic growth is a key legislative policy of the Florida legislature, and the 4CP approach is consistent with and supports this important legislative goal of economic growth. TR. 3675, 3787-3788.
- iv. The 4CP is an accepted cost allocation methodology and it is fair. TR. 3784.
- v. The 4CP has been in place<sup>4</sup>, fairly allocates costs to those customer classes who cause the costs and should not be disturbed.

As testified to by FIPUG witness Jeff Pollock and as demonstrated in the Chart below, TECO has historically been a summer peaking utility.

---

<sup>4</sup> TECO has used the 4CP since the Commission approved the 2021 Rate Case Settlement Agreement. The 4CP approach has been used by the Texas Public Utility Commission for more than two decades and the Texas Commission continues to make use of the 4 CP rate design mechanism. TR. 2630-2631.

**Monthly Peak Demands as a Percent of  
The Annual System Peak: 2020-2025**



TR. 2715. Because TECO is currently projecting to be winter-peaking, the 4CP method gives appropriate weight to both the winter and summer peaks. 2715-2716

LULAC is the sole party opposed to the 4CP method. Their expert witness, Karl Rábago, recommended a variant of the Peak and Average Method, which he referred to as the 12CP and 50% AD method. This method gives equal weighting to the 12CP method and Average Demand (AD), which is essentially annual kilowatt-hour usage. However, Mr. Rábago never explained why equal weighting between 12CP and AD is appropriate.

LULAC witness Rábago’s Peak and Average Method is seriously flawed, and it does not reflect cost-causation. Among its more serious flaws:

- 12CP gives approximately equal weighting to the power demands that occur during each of the 12 monthly system peaks. In other words, 12CP assumes that the demands placed on the TECO system occurring in the spring and fall months are as critical to system reliability as the summer and winter peak period demands. Thus, by giving substantial weighting to the non-summer months in allocating production and transmission costs, 12CP ignores the reality that TECO’s investment in system capacity is driven by its strong summer peaks with a growing winter peak. TR. 2717.
- If TECO only had to plan for capacity to meet the average of the 12CPs during the (2025) test year, it would have needed only 4,012 MW, plus reserves. If TECO only had 4,012 MW of capacity plus reserves, it would not be able to meet the 4,566 MW peak demand that it is projecting in January 2025 or the 4,366 to 4,421 MW of projected peak demands in June, July and August 2025. In other words, the lights would go out since TECO would have to curtail service to firm customers because it would have insufficient capacity to

meet the firm system peak. TR. 2717-2718.

- As further discussed in Mr. Pollock’s testimony, Peak and Average does not allocate fuel costs in a symmetrical manner to production plant costs (*i.e.*, the “fuel symmetry” problem), and it also double-counts average demand (*i.e.*, the “Double-Counting” problem). These flaws have been cited by other state regulatory commissions. TR. 2719-2723.
- The Commission has previously rejected the Equivalent Peaker method, which is a variant of Peak and Average, because it “...implies a refined knowledge of costs which is misleading, particularly as to the allocation of the plant costs to hours past the break-even point.” *See, In Re: Petition of Gulf Power Company for an Increase in its Rates and Charges*, Docket No. 891345-EI, Order Granting Certain Increases at 48 (Oct. 3, 1990).
- Peak and Average ignores that all of the components of the bulk power (*i.e.*, production and transmission) system are operated in a fully integrated manner. This includes TECO’s solar projects that temporarily displace energy that would otherwise be generated from TECO’s dispatchable (*i.e.*, coal and gas) generation. TR. 2720.

Tellingly, while LULAC witness Mr. Rábago was a sitting Commissioner, the Public Utility Commission of Texas (PUCT) consistently approved a much different method for allocating production plant – Average and Excess (A&E) Four Coincident Peak (4CP). Unlike Peak and Average, A&E-4CP recognizes how utilities in Texas (as in Florida) must plan generation capacity to meet the summer peak demands. Further, the PUCT consistently rejected Peak and Average methods that Mr. Rábago is now supporting. TR. 2633-2634. Importantly, loads drive system planning decisions. While public policy (*i.e.*, reducing carbon emissions) can influence the choice of generation technology, ultimately, it is the utility’s obligation to provide sufficient capacity to meet the expected peak demand. TR. 2714. For this reason, the Commission should, once again, approve the 4CP method for TECO to allocate production plant.

As applied to production tax credits (PTCs), cost-causation principles clearly support an allocation based on energy usage. This is because PTCs are earned for every megawatt-hour (MWh) generated from solar projects owned by TECO. TR. 2728. Importantly, solar projects can earn PTCs only during the first ten years of commercial operation. This is reflected in TECO’s cost-effectiveness analysis. Thus, allocating PTCs on energy usage is essential to match the costs of the solar projects with the projected benefits.

Many of the same reasons for using the 4CP method to allocate production plant also apply to transmission plant, Issue 72. In addition, 4CP gives more weight to summer peak demands. Thus, 4CP is consistent with the physical reality that the transmission system experiences its lowest load carrying capability during the summer months. TR. 2707.

With respect to how distribution costs should be allocated as framed in Issue 73, distribution costs, other than the meters and services, should be classified either as customer-related or demand-related using the minimum distribution system (MDS) approach. This practice is consistent with cost causation and is an accepted practice in many regulatory jurisdictions, including Florida. MDS better reflects the factors that cause a utility to install, operate, and maintain a distribution network. The distribution network consists of TECO's investment in poles, towers, fixtures, overhead lines and line transformers. These investments are booked to FERC Account Nos. 364, 365, 366, 367 and 368. The central roles of the distribution network are to provide access to a safe, delivery-ready power grid (*i.e.*, a customer-related cost); and meet customers' peak electrical power needs (*i.e.*, a demand-related cost). TR. 2725.

Providing access to a safe, delivery-ready power grid requires not only a physical connection that meets all construction and safety standards, but also the voltage support and readiness to serve, which is provided by the distribution network infrastructure. Clearly, these costs are related to the existence of the customer. This is why classifying a portion of the distribution network as customer related is consistent with cost causation. In other words, investments that must be made solely to attach a customer to the system are clearly customer-related. These customer-related costs should be allocated based on the number of customers served rather than peak demand.

LULAC opposes MDS. They assert that MDS is not consistent with "modern articulations" of cost allocation principles. TR. 2588. This is a false assertion. The physical realities surrounding the need for a distribution network have not changed, and they have cited no evidence to the contrary. The LULAC principal objection to MDS appears to be that it would necessarily result in a higher Customer Charge for residential customers. TR. 2575-2577. However, establishing a residential Customer Charge is a rate design issue, not a cost allocation issue. As a matter of public policy, the Commission has the discretion to determine whether and to what extent the residential Customer Charge should be set consistent with the results of a class cost-of-service study. Thus, the Commission need not reject MDS just to achieve a specific rate design outcome for one customer class.

Class revenue allocation, Issue 74, is the process of determining how any base revenue change the Commission approves should be apportioned to each customer class the utility serves. The allocation should be informed using an accepted class cost of service study, unless it would cause rate shock. Additionally, the Commission has traditionally limited base rate increases by

employing a cap of 1.5 times the system average base revenue increase and a floor of zero; that is, no class would receive a rate decrease. TR. 2689.

The same principles should continue to be applied in this proceeding. Cost-based rates are fair because each class's rates reflect its cost to serve, no more and no less; they are efficient because, when coupled with a cost-based rate design, customers are provided with the proper incentive to minimize their costs, which will, in turn, minimize the costs to the utility; they enhance revenue stability because an increase or decrease in sales and revenues would be offset by an increase or decrease in expenses, thus keeping net income stable; and they encourage conservation because cost-based rates will send the proper price signals to customers, thereby allowing customers to make rational consumption decisions.

Finally, in Issue 83, TECO is proposing two very substantive and dramatic changes in the time-of-use (TOU) rating periods. The first substantive change is the elimination of seasonal rate differentials. The second substantive change is to implement "Super Off-Peak" hours that would feature very low energy charges during the daytime hours throughout the year. If approved, TECO's Super Off-Peak hours would be unique in Florida. FIPUG recommends that the Commission reject both changes.

First, with respect to TECO's proposal to eliminate seasonal rates, there has been no fundamental change in TECO's seasonal load characteristics. Seasonal rates are intended to send strong price signals that electricity is more expensive during peak hours. For TECO, the peak hours occur primarily in the summer months, with a growing winter peak. Because it costs more to serve customers during these peak periods, the rates should be correspondingly higher in the winter and summer peak months. TR. 2732 - 02733.

The same principle applies to how TOU rating periods are defined. TECO's system peak loads occur during daytime hours. Thus, it makes no sense to set low energy prices, thereby encouraging higher energy usage during these same peak hours. TECO asserts that the Super-Off-Peak period is supported by projected marginal energy costs (MEC). However, MEC is not the only consideration in determining time-of-day periods. Other factors, such as system loads, loss of load expectation, and the need to maintain dispatchable generation to support the integration of renewable resources must also be considered. TR. 2734 - 2736.

Further, as FIPUG demonstrated, TECO's projected marginal energy costs are not consistently low during TECO's proposed Super Off-Peak period. EX. 87. Although TECO asserts that its proposals would simplify rates, this should not trump the need to design rates that



provide strong cost-based price signals. Customers have long been accustomed to the current TOU definitions. TECO's proposal would contradict many years of encouraging customers to conserve energy during peak periods and, thus, would be a drastic change from current practice. In order to adopt to such drastic changes, customers will have to dramatically change their usage patterns. TR. 2734.

For all of the above reasons, the Commission should not disrupt the use of the 4 CP approach which fairly assigns costs to the customer classes that cause costs, a policy in accord with the Legislature's energy policy of supporting economic growth, support the MDS approach, and reject TECO's proposal to eliminate seasonal rates and the proposed Super Off-Peak period.

### **2026 AND 2027 SUBSEQUENT YEAR ADJUSTMENTS (SYA)**

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

**FIPUG:** Adopt position of OPC.

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

**FIPUG:** Adopt position of OPC.

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

**FIPUG:** Adopt position of OPC.

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

**FIPUG:** Adopt position of OPC.

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

**FIPUG:** Adopt position of OPC.

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

**FIPUG:** Adopt position of OPC.

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

**FIPUG:** Adopt position of OPC.

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

**FIPUG:** Adopt position of OPC.

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

**FIPUG:** Adopt position of OPC.

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

**FIPUG:** Adopt position of OPC.

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

**FIPUG:** Adopt position of OPC.

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

**FIPUG:** Adopt position of OPC.

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

**FIPUG:** Adopt position of OPC.

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

**FIPUG:** Adopt position of OPC.

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

**FIPUG:** The rate design approach as proposed by FIPUG above.

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

**FIPUG:** The SYAs should be applied as equal percentage increases in the demand and energy charges, as applicable.

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

**FIPUG:** The SYAs should be effective 30 days after the assets are placed in commercial operation.

### **OTHER**

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

**FIPUG:** Yes.

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

**FIPUG:** Adopt position of OPC.

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

**FIPUG:** Adopt position of OPC.

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

**FIPUG:** Adopt position of OPC.

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

**FIPUG:** Adopt position of OPC.

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

**FIPUG:** Not unless ordered to do by the Commission.

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

**FIPUG:** Adopt position of OPC.

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

**FIPUG:** No position at this time.

**ISSUE 119:** What considerations should the Commission give the affordability of customer bills and how does TECO's rate increase impact ratepayers in this proceeding?

**FIPUG:** TECO's proposed rate increase results in a base rate increase of 20% in the first year for large commercial and industrial users and over 30% when the subsequent year rate increase adjustments are included. The Commission should consider the affordability of bills for all customers, and consider the key roles that large commercial and industrial customers play in the social fabric of TECO's service area. Collectively, large commercial and industrial customers provide good jobs to countless Floridians, pay millions of dollars in taxes to federal, state, and local governments, and contribute to the communities in which they operate. Large commercial and industrial customers must often compete regionally, nationally and in some cases, internationally, in their respective marketplaces. Energy is a significant variable cost for large commercial and industrial customers and the energy costs must be affordable for these businesses to be successful. The Commission is charged with balancing competing interests when considering TECO's rate case. One issue of significant importance to large commercial and industrial customers, FIPUG, and FEA, which represents MacDill Airforce Base in Tampa, is to fairly apply the 4CP rate design which best assigns costs to those rate classes which cause the costs. TECO has proposed and supports the 4CP approach.

During the evidentiary hearing, there was discussion about whether electricity is affordable. FIPUG submits that affordability is not a concern unique to any single customer class; it is an issue for all customer classes, including large commercial and industrial customers, which include FIPUG members. Electricity is a significant operating cost for large commercial and industrial customers and FIPUG members. Further, some FIPUG members participate in highly competitive regional, national, and global and markets. Competition in these markets limits the ability of these customers to pass-through higher electricity costs. TECO President and CEO Archie Collins, who has been in the electric business for 34 years and having seen large commercial industrial and business customers go out of business, testified that such closings are not a good thing for local communities with lost jobs nor for the electric company. TR. 347.

Given that affordability is a concern for all customer classes, the Commission can make electricity more affordable by keeping the 4 CP rate design mechanism and significantly reducing TECO's ROE request to less than 10%.

**ISSUE 120:** Should TECO be required to file, within 90 days after the date of the final order in this docket, a description of all entries or adjustments to its annual report, rate of

return reports, and books and records which will be required as a result of the Commission's findings in this rate case?

**FIPUG:** Yes.

**ISSUE 121:** Should this docket be closed?

**FIPUG:** Yes, after the Commission takes final agency action.

### **DISCUSSION**

With respect to Issue 113, the proposed Asset Optimization Mechanism, the Commission should not approve this program. A Florida investor-owned regulated utility should conduct utility operations that are smart, efficient, and, all things being equal, seek to save ratepayers money. The Asset Optimization program in essence asks the Commission to reward the company for taking actions and saving money, things that the utility should be undertaking regardless. TECO does not need this program to optimize assets which for which the ratepayers have paid. The benefits from skillfully operating a regulated utility should inure to the benefit of the utility by way of an appropriate return on equity rather than an unneeded Asset Optimization Mechanism.

DATED this 21st day of October 2024.

Respectfully submitted,

/s/ Jon C. Moyle

Jon C. Moyle, Jr.

Karen A. Putnal

Moyle Law Firm, P.A.

118 North Gadsden Street

Tallahassee, Florida 32301

Telephone: (850)681-3828

Facsimile: (850)681-8788

[jmoyle@moylelaw.com](mailto:jmoyle@moylelaw.com)

[kputnal@moylelaw.com](mailto:kputnal@moylelaw.com)

### **CERTIFICATE OF SERVICE**

I **HEREBY CERTIFY** that a true and correct copy of the foregoing has been furnished by electronic mail this 21st day of October 2024 to the following:

Adria Harper  
Carlos Marquez  
Timothy Sparks  
Office of the General Counsel  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850  
aharper@psc.state.fl.us  
cmarquez@psc.state.fl.us  
tsparks@psc.state.fl.us  
discovery-gcl@psc.state.fl.us

Tampa Electric Company  
Ms. Paula K. Brown  
Regulatory Affairs  
Tampa FL 33601-0111  
regdept@tecoenergy.com

Office of Public Counsel  
Walt Trierweiler  
P. Christensen  
c/o The Florida Legislature  
Tallahassee FL 32399  
Trierweiler.walt@leg.state.fl.us  
christensen.patty@leg.state.fl.us

Ausley Law Firm  
J. Wahlen  
V. Ponder  
M. Means  
P.O. Box 391  
Tallahassee FL 32302  
jwahlen@ausley.com  
mmeans@ausley.com  
vponder@ausley.com

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

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

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

Gardner Law Firm  
Robert Scheffel Wright  
John T. LaVia, III  
1300 Thomaswood Drive  
Tallahassee FL 32308  
jlavia@gbwlegal.com  
schef@gbwlegal.com

Federal Executive Agencies  
L. Newton/A. George/T. Jernigan/E. Payton  
139 Barnes Drive, Suite 1  
Tyndall AFB FL 32403  
ebony.payton.ctr@us.af.mil  
thomas.jernigan.3@us.af.mil  
Leslie.Newton.1@us.af.mil  
Ashley.George.4@us.af.mil  
Michael.Rivera.51@us.af.mil

Bradley Marshall/Jordan Luebke  
Earthjustice  
111 S. Martin Luther King Jr. Blvd.  
Tallahassee FL 32301  
bmarshall@earthjustice.org  
jluebke@earthjustice.org

Southern Alliance for Clean Energy  
William C. Garner  
3425 Bannerman Rd. Unit 105, No. 414  
Tallahassee FL 32312  
bgarner@wcglawoffice.com

*/s/ Jon C. Moyle*

\_\_\_\_\_  
Jon C. Moyle  
Florida Bar No. 727016