**BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION**

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

Direct Testimony of

Michael P. Gorman

On behalf of

Federal Executive Agencies

June 6, 2024

BRUBAKER & ASSOCIATES, INC.

Project 11662

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

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

Table of Contents to the
Direct Testimony of Michael P. Gorman

Page

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

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

Direct Testimony of Michael P. Gorman

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A Michael P. Gorman. My business address is 16690 Swingley Ridge Road, Suite 140, Chesterfield, MO 63017.

Q WHAT IS YOUR OCCUPATION?

A I am a consultant in the field of public utility regulation and a Managing Principal with the firm of Brubaker & Associates, Inc. ("BAI"), energy, economic and regulatory consultants.

Q PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A This information is included in Appendix A to this testimony.

Q ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?

A I am testifying on behalf of the Federal Executive Agencies ("FEA"). FEA, including MacDill Air Force Base, is a large customer of Tampa Electric Company ("TECO" or "Company").

Q WHAT IS THE SUBJECT MATTER OF YOUR TESTIMONY?

A My testimony addresses cost of service, revenue allocation and rate design. To the extent my testimony does not address any particular issue does not indicate tacit agreement with the Company's or another party's position on that issue.

Q PLEASE PROVIDE A BRIEF SUMMARY OF YOUR TESTIMONY.

A My testimony addresses the following items:

1. The Company's Class Cost of Service Study ("CCOSS") reflects the 2021 Stipulation and Settlement Agreement ("2021 Agreement") approved by the Florida Public Service Commission ("FPSC" or "Commission") in Order No. PSC-2021-0423-S-EI. The results of this CCOSS should be utilized to assign costs to the studied rate classes.

2. The spread of the proposed revenue increase across tariff rate classes is reasonable and moves rates much closer to cost of service.

3. The Company's proposed rate design for the time-of-day rates has been revised to reflect different energy charges during the Peak, Off-Peak and Super Off-Peak periods.

I. <u>CLASS COST OF SERVICE STUDY</u>

Q DID THE COMPANY OFFER A CCOSS IN THIS CASE?

A Yes. The Company's CCOSS is offered by TECO witness Jordan Williams. As outlined in Mr. Williams' testimony, he developed a CCOSS in the following steps:

1. First, he functionalized costs into specific functions necessary to provide service to retail customers. Those functions include production, transmission, distribution,

and customer components. The distribution costs were functionalized to the primary and secondary level.

2. After the costs were functionalized, Mr. Williams then classified costs into demand, energy, and customer cost-related components. To enhance the development of the customer costs associated with the distribution system, a Minimum Distribution System ("MDS") was performed

3. After functionalizing and classifying the costs, the costs were assigned to the various rate classes utilizing developed demand, energy and customer cost allocators.

4. As per the 2021 Agreement, the demand-related production and transmission costs were allocated using a 4 Coincident Peak ("4 CP") methodology. As stated in Mr. Williams' Direct Testimony on pages 23 and 24:

> The proposed 4 CP methodology allocates costs to rate classes based on the rate classes' projected average contribution to the system peak during the test year period months of January, June, July and August.

5. For distribution costs, TECO uses the MDS to separate distribution costs into two classifications – customer and demand. For the customer classified distribution costs, the Company allocates those costs on the number of customers in each rate class. For primary distribution classified as demand costs, the Company allocates the costs across rate classes based on non-coincident demands and for the secondary distribution classified as demand costs, the costs are allocated based on maximum demands.[1]

Q DO YOU BELIEVE THE COMPANY'S COST OF SERVICE STUDY IS REASONABLE?

A Yes. The Company's CCOSS allocation of generation capacity and transmission capacity costs on the 4 CP methodology reflects cost causation. The Company's proposal to use the MDS to classify distribution costs into demand and customer components is reasonable.

---

[1]Minimum Filing Requirements Schedule E Cost of Service Study: 4 CP-Present and Proposed Rate Structure.

Q DID THE COMPANY FILE AN ADDITIONAL COST OF SERVICE STUDY?

A Yes. Volume III of TECO's filing contains a CCOSS that uses the 12 Coincident Peak and One Thirteenth Average Demand ("12 CP and 1/13th AD") cost allocation methodology and excludes the implementation of the MDS. It is my understanding that this CCOSS was prepared and filed as a Minimum Filing Requirement but is not recommended by the Company for this case.

Q SHOULD THE COMMISSION UTILIZE THE RESULTS OF THE 12 CP AND 1/13th AD CCOSS FOR DEVELOPING THE RATE CLASSES' REVENUE REQUIREMENTS?

A No. The use of the 4 CP to allocate demand-related production and transmission costs and employing the MDS to develop the demand and customer-related functionalized costs properly reflect cost-causation. Mr. Williams supports utilizing the 2021 Agreement CCOSS to establish the rate classes' revenue responsibility.

Q DO YOU SUPPORT THE USE OF THE 4 CP TO ALLOCATE PRODUCTION AND TRANSMISSION DEMAND-RELATED COSTS?

A Yes. As stated in Mr. Williams' Direct Testimony, the 4 CP methodology reflects cost causation in relation to TECO's peak demands. TECO's peak demands are driven by energy consumption that is related to the weather in the coldest and hottest months. The 2021 Settlement identified those months as January, June, July and August. Mr. Williams states the reasons for using the 4 CP in his Direct Testimony on pages 25 and 26.

Q DO YOU SUPPORT THE USE OF THE MDS TO FUNCTIONALIZE DISTRIBUTION COSTS?

A Yes. The MDS separates distribution costs into both customer-related and demand-related categories. After these costs are separated, the customer costs are allocated to the rate classes based on the number of customers in each rate class and the demand costs are allocated to the rate classes based on class demands.

Q IS AN MDS A NEW COST OF SERVICE CONCEPT?

A No. The MDS has been accepted for decades as a valid consideration of numerous state public utility commissions. The MDS was presented in the National Association of Regulatory Utility Commissioners ("NARUC") Electric Utility Cost Allocation Manual ("NARUC Manual") in January 1992.[2] The central idea behind the MDS is that there is a minimum cost incurred by a utility when it extends its primary and secondary distribution systems and connects an additional customer to them. By definition, the MDS comprises every distribution component necessary to provide service (i.e., meters, services, secondary and primary wires, poles, substations, etc.). A certain portion of the costs of the distribution system is required just to connect customers to the system regardless of the demand or energy requirements.

Q WHAT ARE THE RESULTS OF TECO'S CCOSS THAT UTILIZE THE 4 CP METHODOLOGY AND INCLUDE THE MDS?

A Table MPG-1 below shows the result of the Company's 4 CP and full MDS CCOSS at present rates.

---

[2]Electric Utility Cost Manual, National Association of Regulatory Utility Commissioners, January 1992, at 86-96.

TABLE 1

Cost of Service Results - Present Rates
($000)

Rate Class	Rate Base	Net Operating Income	ROR	ROR Index
RS	$ 6,080,302	$ 301,653	4.96%	0.97
GS	$ 520,092	$ 35,123	6.75%	1.32
GSD	$ 2,379,537	$ 98,676	4.15%	0.81
GSLDPR	$ 274,056	$ 17,556	6.41%	1.25
GSLDSU	$ 176,440	$ 7,542	4.27%	0.84
LS Energy	$ 12,808	$ 1,789	13.97%	2.73
LS Facilities	$ 354,915	$ 39,034	11.00%	2.15
Total	$ 9,798,150	$ 501,373	5.12%	1.00

Source: MFR - E Schedules - Volume II of IV, pg. 2

The rate classes are Residential Service ("RS"), General Service - Non-Demand ("GS"), General Service - Demand ("GSD"), General Service - Large Demand - Primary ("GSLDPR"), General Service - Large Demand - Subtransmission ("GSLDSU"), Lighting Service Energy ("LS Energy") and Lighting Service Facilities ("LS Facilities"). Table 1 shows the two largest rate classes' (RS and GSD) current rates provide revenues that produce a Rate of Return ("ROR") below the system average ROR. That means those rate classes are being subsidized by the rate classes that provide an ROR above the system average of 5.12%.

II. CLASS REVENUE ALLOCATION

Q HOW IS TECO PROPOSING TO RECOVER ITS CLAIMED REVENUE DEFICIENCY FROM ITS RATE CLASSES?

A As stated on page 27 of Mr. Williams' Direct Testimony, TECO is proposing a revenue increase for its retail customer classes of $293.6 million. The current projected retail billed electric revenues for 2025 are $1.480 million.

The first step in allocating the increase was to determine the rate changes in the service charge revenues and other operating revenues. Those changes were used to offset a portion of the proposed base rate revenue deficiency. In the second step, the rates for the rate classes were developed to recover the remaining revenue deficiency.

Q HOW DID TECO ALLOCATE THE PROPOSED BASE RATE REVENUE DEFICIENCY TO THE VARIOUS RATE CLASSES?

A The remaining revenue deficiency balance was used to bring rates closer to the CCOSS results. The 2021 Agreement requires TECO to "substantially and materially improve the position of all above-parity customer classes towards parity, such that costs are allocated and revenue is collected consistent with 4 CP and full MDS method.[3]" No rate class received a rate reduction.

Table 2 shows the Company's proposed increase in operating and service charge revenues by rate class, relative to current operating and service charge revenues by rate classes.

[3] Williams Direct at 33-36.

TABLE 2

Allocation of Proposed Increase
($000)

Rate Class	Present Operating & Service Charge Revenue	Proposed Operating & Service Charge Revenue	Total Revenue Increase	Percent Increase
RS	$ 937,081	$ 1,119,008	$ 181,927	19.4%
GS	$ 96,812	$ 101,069	$ 4,257	4.4%
GSD	$ 310,873	$ 411,530	$ 100,657	32.4%
GSLDPR	$ 44,353	$ 47,903	$ 3,550	8.0%
GSLDSU	$ 23,795	$ 30,000	$ 6,205	26.1%
LS Energy	$ 3,570	$ 3,578	$ 8	0.2%
LS Facilities	$ 82,706	$ 82,708	$ 2	0.0%
Total	$ 1,499,190	$ 1,795,796	$ 296,606	19.8%

Source: MFR - E Schedules; Schedule E-8, pg. 17

Table 2 shows that those rate classes that were below cost to serve received the largest rate increases.

Q WHAT IS THE IMPACT ON EACH RATE CLASS'S ROR OF THE COMPANY'S ALLOCATION OF THE PROPOSED RATE INCREASES?

A The Company's allocation of the proposed revenue increase significantly moves rates closer to cost of service. Table 3 shows the results of the Company's 4 CP and full MDS CCOSS at their proposed rates.

TABLE 3

Cost of Service Results - Proposed Rates
($000)

Rate Class	Rate Base	Net Operating Income	ROR	ROR Index
RS	$6,080,302	$ 437,365	7.19%	0.98
GS	$ 520,092	$ 38,327	7.37%	1.00
GSD	$2,379,537	$ 173,660	7.30%	0.99
GSLDPR	$ 274,056	$ 20,210	7.37%	1.00
GSLDSU	$ 176,440	$ 12,166	6.90%	0.93
LS Energy	$ 12,808	$ 1,793	14.00%	1.90
LS Facilities	$ 354,915	$ 39,075	11.01%	1.49
Total	$9,798,150	$ 722,596	7.37%	1.00

Source: MFR - E Schedules - Volume II of IV, pg. 45

The Company's proposed revenue spread makes a substantial movement toward cost of service for all rate classes. The Lighting rate classes did not receive a base rate increase.

III. GSLDPR RATE DESIGN

Q WHAT REVISIONS WERE MADE TO THE GSLDPR RATES?

A TECO has two GSLDPR rates. The first GSLDPR is a standard rate that contains a Daily Basic Service Charge, Demand Charge and Energy Charge. The Demand and Energy Charges are constant throughout the year. Table 4 below shows the current and proposed changes for the standard rate.

TABLE 4

Standard GSLDPR Rates

Charges	Unit	Present Rate	Proposed Rate	Percent Increase
Daily Basic Service	$/day	$19.52	$21.42	9.7%
Demand	$/kW	$11.88	$13.00	9.4%
Energy	¢/kWh	1.0421¢	1.063¢	2.0%

Source: MFR - E Schedules; Schedule E-8, pg. 109

The second GSLDPR is an optional Time-of-Day ("TOD") rate. Approximately 80% of the GSLDPR energy is consumed on the TOD rate.[4]

The proposed rate contains energy rates for three time periods. TECO is proposing to add a Super Off-Peak period and to remove the seasonality rates from its TOD periods.[5] For the Super Off-Peak period, TECO is proposing an energy charge that is significantly below both the peak and off-peak energy charges.[6] TECO has increased both during the peak and off-peak energy charges. TECO contends that the recent and continued investment in renewable generation assets has resulted in a change in TECO's hourly cost profile.[7]

For the demand charge, TECO has increased the per-kilowatt ("kW") billing charges for the peak periods from $8.08/kW to $10.07/kW, and reduced the charge for the overall peak demand from $3.77/kW to $2.93/kW.[8]

[4] MFR – E Schedules, Schedule E-13C, page 12.
[5] *Id*. at 29-31, and MFR – E Schedules, Schedule E-8.
[6] MFR – E Schedules, Schedule E-8, pages 123-125.
[7] Williams Direct at 31.
[8] MFR – E Schedules, Schedule E-8, page 123.

Q DO YOU HAVE ANY COMMENTS REGARDING THE COMPANY'S PROPOSED ADJUSTMENTS TO THE GSLDPR RATE?

A Yes. In general, I concur with TECO's proposed revisions to the rates. However it appears that TECO's rate design over-collects on the energy charge and under-collects on the demand charge.

Table 5 below shows the proposed percent revenues that TECO will collect from the Standard and TOD GSLDPR proposed Basic Service, Energy and Demand charges.

TABLE 5

GSLDPR Revenue by Charges
($000)

Charges	Standard Rate Cost	Percent	TOD Rate Cost	Percent
Service	$ 184	1.6%	$ 287	0.8%
Energy	$ 2,742	24.3%	$ 10,941	31.5%
Demand	$ 8,362	74.1%	$ 23,454	67.6%
Total	$ 11,288	100.0%	$ 34,682	100.0%

Table MPG-5 shows that for the TOD revenues approximately 68% are collected through demand charges. A review of the CCOSS shows that the GSLDPR revenue requirement is made up of a larger portion of demand-related costs.

Q HOW DOES THE COLLECTION OF THE REVENUES COMPARE WITH THE CUSTOMER, ENERGY AND DEMAND UNIT COSTS THAT RESULT FROM THE 4 CP CCOSS FOR GSLDPR?

A TECO's Minimum Filing Requirements - E Schedules - Cost of Service Study - Volume II of IV, page 77 provides a "Derivation of Unit Costs" ("UNTCST") for

GSLDPR. The UNTCST provides the GSLDPR costs by functional revenue requirement, production, transmission, subtransmission and distribution, along with the demand, energy and customer classifications for each. Table 6 shows a summary of the GSLDPR revenue requirement unit costs that are related to demand, energy and customer.

TABLE 6

GSLDPR Unit Cost Rev. Req.
($000)

	Revenue Requirement	Percent
Demand		
Production	$ 31,908	
Transmission	$ 1,960	
Subtranmission	$ 2,432	
Distribution	$ 4,870	
Subtotal	$ 41,170	86.3%
Energy		
Production	$ 6,047	12.7%
Customer		
MDS	$ 475	
Meter & Cust Srv	$ 8	
Subtotal	$ 483	1.0%
Total	$ 47,700	

Table 6 shows that 86% of the GSLDPR revenue requirement CCOSS costs are demand-related, while the proposed GSLDPR TOD rate collects approximately 68% through the demand rates. The GSLDPR demand charges should be increased and the energy charges reduced.

Q DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A Yes, it does.

Qualifications of Michael P. Gorman

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A Michael P. Gorman. My business address is 16690 Swingley Ridge Road, Suite 140, Chesterfield, MO 63017.

Q PLEASE STATE YOUR OCCUPATION.

A I am a consultant in the field of public utility regulation and a Managing Principal with the firm of Brubaker & Associates, Inc. ("BAI"), energy, economic and regulatory consultants.

Q PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND WORK EXPERIENCE.

A In 1983 I received a Bachelor of Science Degree in Electrical Engineering from Southern Illinois University, and in 1986, I received a Master's Degree in Business Administration with a concentration in Finance from the University of Illinois at Springfield. I have also completed several graduate level economics courses.

In August of 1983, I accepted an analyst position with the Illinois Commerce Commission ("ICC"). In this position, I performed a variety of analyses for both formal and informal investigations before the ICC, including: marginal cost of energy, central dispatch, avoided cost of energy, annual system production costs, and working capital. In October of 1986, I was promoted to the position of Senior Analyst. In this position, I assumed the additional responsibilities of technical leader on projects, and my areas of responsibility were expanded to include utility financial modeling and financial analyses.

In 1987, I was promoted to Director of the Financial Analysis Department. In this position, I was responsible for all financial analyses conducted by the Staff. Among other things, I conducted analyses and sponsored testimony before the ICC on rate of return, financial integrity, financial modeling and related issues. I also supervised the development of all Staff analyses and testimony on these same issues. In addition, I supervised the Staff's review and recommendations to the Commission concerning utility plans to issue debt and equity securities.

In August of 1989, I accepted a position with Merrill-Lynch as a financial consultant. After receiving all required securities licenses, I worked with individual investors and small businesses in evaluating and selecting investments suitable to their requirements.

In September of 1990, I accepted a position with Drazen-Brubaker & Associates, Inc. ("DBA"). In April 1995, the firm of Brubaker & Associates, Inc. was formed. It includes most of the former DBA principals and Staff. Since 1990, I have performed various analyses and sponsored testimony on cost of capital, cost/benefits of utility mergers and acquisitions, utility reorganizations, level of operating expenses and rate base, cost of service studies, and analyses relating to industrial jobs and economic development. I also participated in a study used to revise the financial policy for the municipal utility in Kansas City, Kansas.

At BAI, I also have extensive experience working with large energy users to distribute and critically evaluate responses to requests for proposals ("RFPs") for electric, steam, and gas energy supply from competitive energy suppliers. These analyses include the evaluation of gas supply and delivery charges, cogeneration and/or combined cycle unit feasibility studies, and the evaluation of third-party asset/supply management agreements. I have participated in rate cases on rate design and class cost of service for electric, natural gas, water and wastewater utilities. I have also analyzed commodity pricing indices and forward pricing methods for third party supply agreements, and have also conducted regional electric market price forecasts.

In addition to our main office in St. Louis, the firm also has branch offices in Corpus Christi, Texas; Louisville, Kentucky and Phoenix, Arizona.

Q HAVE YOU EVER TESTIFIED BEFORE A REGULATORY BODY?

A Yes. I have sponsored testimony on cost of capital, revenue requirements, cost of service and other issues before the Federal Energy Regulatory Commission and numerous state regulatory commissions including: Alaska, Arkansas, Arizona, California, Colorado, Delaware, the District of Columbia, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin, Wyoming, and before the provincial regulatory boards in Alberta, Nova Scotia, and Quebec, Canada. I have also sponsored testimony before the Board of Public Utilities in Kansas City, Kansas; presented rate setting position reports to the regulatory board of the municipal utility in Austin, Texas, and Salt River Project, Arizona, on behalf of industrial customers; and negotiated rate disputes for industrial customers of the Municipal Electric Authority of Georgia in the LaGrange, Georgia district.

Q PLEASE DESCRIBE ANY PROFESSIONAL REGISTRATIONS OR ORGANIZATIONS TO WHICH YOU BELONG.

A I earned the designation of Chartered Financial Analyst ("CFA") from the CFA Institute. The CFA charter was awarded after successfully completing three examinations which covered the subject areas of financial accounting, economics, fixed income and equity valuation and professional and ethical conduct. I am a member of the CFA Institute's Financial Analyst Society.

497956

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

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

STATE OF MISSOURI)
) SS
COUNTY OF ST. LOUIS)

Affidavit of Michael P. Gorman

Michael P. Gorman, being first duly sworn, on his oath states:

1. My name is Michael P. Gorman. I am a consultant with Brubaker & Associates, Inc., having its principal place of business at 16690 Swingley Ridge Road, Suite 140, Chesterfield, Missouri 63017. We have been retained by the Federal Executive Agencies in this proceeding on their behalf.

2. Attached hereto and made a part hereof for all purposes is my direct testimony which was prepared in written form for introduction into evidence in the Florida Public Service Commission Docket Nos. 20240026-EI, 20230139-EI and 20230090-EI.

3. I hereby swear and affirm that the testimony is true and correct and that it shows the matters and things that it purports to show.

Michael Gorman

Michael P. Gorman

Subscribed and sworn to before me this 6th day of June, 2024.

SALLY D. WILHELMS
Notary Public - Notary Seal
STATE OF MISSOURI
St. Louis County
My Commission Expires: Aug. 5, 2024
Commission # 20078050

Sally D Wilhelms

Notary Public