AUSLEY MCMULLEN

Attorneys and Counselors at Law
123 South Calhoun Street
P.O. Box 391 32302
Tallahassee, FL 32301
P: (850) 224-9115
F: (850) 222-7560
ausley.com

September 5, 2024

VIA: ELECTRONIC FILING

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

Re: Fuel and Purchased Power Cost Recovery Clause with Generating Performance Incentive Factor; FPSC Docket No. 20240001-EI

Dear Mr. Teitzman:

Attached for filing in the above docket is Tampa Electric Company's Projection Testimony for the period January 2025 through December 2025, as follows:

- Prepared Direct Testimony of John C. Heisey.

Thank you for your assistance in connection with this matter.

Sincerely,

Malcolm N. Means

Malcolm N. Means

MNM/bml
Attachment

cc: All Parties of Record (w/encl.)

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing Projection Testimony, filed on behalf of Tampa Electric Company, has been furnished by electronic mail on this 5th day of September 2024 to the following:

Suzanne Brownless
Ryan Sandy
Office of the General Counsel
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850
sbrownle@psc.state.fl.us
rsandy@psc.state.fl.us
discovery-gcl@psc.state.fl.us

Walter Trierweiler
Charles Rehwinkel
Patricia A. Christensen
Mary Wessling
Octavio Ponce
Austin Watrous
Office of Public Counsel
111 West Madison Street, Room 812
Tallahassee, FL 32399-1400
Trierweiler.Walt@leg.state.fl.us
Rehwinkel.charles@leg.state.fl.us
christensen.patty@leg.state.fl.us
wessling.mary@leg.state.fl.us
ponce.octavio@leg.state.fl.us
watrous.austin@leg.state.fl.us

Dianne M. Triplett
Duke Energy Florida
299 First Avenue North
St. Petersburg, FL 33701
Dianne.triplett@duke-energy.com
FLRegulatoryLegal@duke-energy.com

Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 S. Monroe St., Suite 601
Tallahassee, FL 32301
bkeating@gunster.com

Maria Moncada
David M. Lee
Florida Power & Light Company
700 Universe Boulevard
Juno Beach, FL 33408-0420
maria.moncada@fpl.com
david.lee@fpl.com

Kenneth Hoffman
Vice President, Regulatory Relations
Florida Power & Light Company
215 South Monroe Street, Suite 810
Tallahassee, FL 32301-1859
ken.hoffman@fpl.com

Mike Cassel
Regulatory and Governmental Affairs
Florida Public Utilities Company
Florida Division of Chesapeake Utilities Corp.
208 Wildlight Ave.
Yulee, FL 32097
mcassel@fpuc.com

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

Matthew R. Bernier
Robert Pickles
Stephanie A. Cuello
Duke Energy Florida
106 East College Avenue, Suite 800
Tallahassee, FL 32301-7740
Matthew.bernier@duke-energy.com
Robert.pickles@duke-energy.com
Stephanie.Cuello@duke-energy.com

Jon C Moyle, Jr.
Moyle Law Firm
118 North Gadsden Street
Tallahassee, FL 32301
jmoyle@moylelaw.com
mqualls@moylelaw.com

Michelle D. Napier
1635 Meathe Drive
West Palm Beach, FL 33411
mnapier@fpuc.com

James W. Brew
Laura W. Baker
Sarah B. Newman
Stone Mattheis Xenopoulos & Brew, PC
1025 Thomas Jefferson Street, NW
Eighth Floor, West Tower
Washington, D.C. 20007-5201
jbrew@smxblaw.com
lwb@smxblaw.com
sbn@smxblaw.com

Peter J. Mattheis
Michael K. Lavanga
Joseph R. Briscar
Stone Law Firm
1025 Thomas Jefferson St., NW
Suite 800 West
Washington, DC 20007-5201
pjm@smxblaw.com
mkl@smxblaw.com
jrb@smxblaw.com

Malcolm N. Means

ATTORNEY

BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 20240001-EI

FUEL & PURCHASED POWER COST RECOVERY

AND

CAPACITY COST RECOVERY

PROJECTIONS

JANUARY 2025 THROUGH DECEMBER 2025

TESTIMONY

OF

JOHN C. HEISEY

FILED: SEPTEMBER 5, 2024

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

JOHN C. HEISEY

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

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

Q. Have you previously filed testimony in Docket No. 20240001-EI?

A. Yes, I submitted direct testimony on April 3, 2024, and July 26, 2024.

Q. Has your job description, education, or professional experience changed since your most recent testimony?

A. No, they have not.

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 Optimization Mechanism.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to discuss Tampa Electric's fuel mix, fuel price forecasts, potential impacts to fuel prices, and the company's fuel procurement strategies.

Fuel Mix and Procurement Strategies

Q. What fuels do Tampa Electric's generating stations use?

A. Tampa Electric's generation portfolio includes natural gas, solar, coal, and, as a backup fuel, oil powered units. Big Bend Unit 1 combined cycle operates on natural gas, and Big Bend Unit 4 can operate on coal or natural gas. Polk Unit 1 can operate on natural gas or a blend of

petroleum coke and coal. Currently, the company is operating Polk Unit 1 on natural gas and Big Bend Unit 4 on natural gas and coal. Polk Unit 2 combined cycle uses natural gas as a primary fuel and oil as a secondary fuel; and Bayside Station combined cycle units and the company's collection of peakers (*i.e.*, aero-derivative combustion turbines) all utilize natural gas. Since it serves as a backup fuel, oil consumption is primarily for testing, and oil is a negligible percentage of system generation. Based upon the 2024 actual-estimate projections, the company expects 2024 total system generation, excluding purchased power, to be 87 percent natural gas, 12 percent solar, and 1 percent coal.

Likewise, in 2025, natural gas-fired and solar generation are expected to be 86 percent and 13 percent of total generation, respectively, with coal-fired generation making up 1 percent of total generation.

Q. Please describe Tampa Electric's fuel supply procurement strategy.

A. Tampa Electric emphasizes flexibility and options in its fuel procurement strategy for all its fuel needs. The company strives to maintain many creditworthy and viable

suppliers. Similarly, the company endeavors to maintain multiple delivery path options. Tampa Electric also attempts to diversify the locations from which its supply is sourced. Having a greater number of fuel supply and delivery options provides increased reliability and flexibility to pursue lower cost options for Tampa Electric customers.

Natural Gas Supply Strategy

Q. How does Tampa Electric's natural gas procurement and transportation strategy achieve competitive natural gas purchase prices for long- and short-term deliveries?

A. Tampa Electric uses a portfolio approach to natural gas procurement. This approach consists of a blend of pre-arranged base, intermediate, and swing natural gas supply contracts complemented with shorter term spot and seasonal purchases. The contracts have various time lengths to help secure needed supply at competitive prices while maintaining the flexibility to adapt to any changing fuel needs. In 2024, Tampa Electric will utilize an online auction process to procure annual gas supply requirements for the portfolio. The objective of the auction is to increase competition and lower natural gas expense for the benefit of Tampa Electric customers. Tampa Electric

purchases its physical natural gas supply from creditworthy counterparties, enhancing the liquidity and diversification of its natural gas supply portfolio. Tampa Electric targets natural gas supply that is reliable and resistant to the impacts of extreme weather. The natural gas prices are based on monthly and daily price indices, further increasing price diversification.

Tampa Electric diversifies its pipeline transportation assets, including receipt points. The company also utilizes pipeline and storage services to enhance access to natural gas supply during hurricanes, extreme weather or other events that constrain supply. Such actions improve the reliability and cost-effectiveness of the physical delivery of natural gas to the company's power plants. Furthermore, Tampa Electric strives daily to obtain reliable supplies of natural gas at favorable prices to mitigate costs for its customers.

Q. Please describe Tampa Electric's diversified natural gas transportation agreements.

A. Tampa Electric currently receives natural gas directly via the Florida Gas Transmission ("FGT") and Gulfstream Natural Gas System, LLC ("Gulfstream") pipelines. The

ability to deliver natural gas from two pipelines increases the fuel delivery reliability for Bayside Power Station, which is composed of two large natural gas combined-cycle units and four aero-derivative combustion turbines, and Big Bend Station, which is comprised of one combined cycle unit, one steam generating unit, and one aero-derivative combustion turbine. Polk Station receives natural gas from FGT to support natural gas consumption in Polk Units 1 and 2.

Q. Are there any significant changes to Tampa Electric's expected natural gas usage?

A. No. Tampa Electric's natural gas usage is expected to slightly decrease by one percent in 2025 when compared to 2024; due to a slight increase in solar generation.

Q. What actions does Tampa Electric take to enhance the reliability of its natural gas supply?

A. Tampa Electric maintains natural gas storage capacity with Bay Gas Storage near Mobile, Alabama to provide operational flexibility and reliability of natural gas supply. The company reserves 2,000,000 MMBtu of long-term storage capacity at this location. This storage was used

during Storm Uri in February 2021 and Storm Elliott in December of 2022 to replace interrupted supply and to mitigate costs for our customers.

In addition to storage, Tampa Electric maintains diversified natural gas supply receipt points in FGT Zones 1, 2, and 3. Diverse receipt points reduce the company's vulnerability to hurricane impacts and provide access to potentially lower priced gas supply.

Tampa Electric also reserves capacity on the Southeast Supply Header ("SESH"), Gulf South pipeline ("Gulf South"), and Transco's Mobile Bay Lateral ("Transco"). SESH, Gulf South, and Transco are upstream pipelines that connect the receipt points of FGT, Gulfstream, and other Mobile Bay area pipelines with natural gas supply in the mid-continent and northeast. Mid-continent and northeast natural gas production, specifically shale production, has grown and continues to increase. Thus, SESH, Gulf South, and Transco capacity give Tampa Electric access to secure, competitively priced onshore gas supply for a portion of its portfolio. Tampa Electric continuously evaluates its gas transportation portfolio based on changing market conditions to ensure access to reliable natural gas supply. All receipt points in the portfolio

are reviewed annually to ensure access to reliable supply basins.

Q. Has Tampa Electric acquired additional natural gas transportation for 2024 and 2025 due to greater use of natural gas?

A. Yes. For January and February 2024, Tampa Electric acquired short-term capacity on Sabal Trail and Gulf Stream to increase the reliability of the portfolio for its projected winter peak. In addition, power purchases were executed for January and February as a lower cost solution compared to acquiring additional short-term pipeline capacity. These power purchases are mentioned in the testimony of Tampa Electric witness Benjamin F. Smith, II. In the summer of 2023, Tampa Electric acquired additional long-term pipeline capacity on SESH. This capacity provides additional upstream transportation for the portfolio to mitigate Mobile Bay supply risk, as well as provides access to abundant Haynesville shale gas supply. For 2024, Tampa Electric has acquired additional long-term capacity on FGT and Trunkline Gas Company, LLC ("Trunkline"). This capacity provides additional upstream transportation for the portfolio to mitigate Mobile Bay supply risk, as well as provides access to low-cost

Permian shale gas supply. Tampa Electric also acquired short-term capacity for the summer of 2024 from Sabal Trail. Tampa Electric is continuously monitoring market conditions and opportunities to improve portfolio reliability.

Coal Supply Strategy

Q. Please describe Tampa Electric's solid fuel usage and procurement strategy.

A. As with its natural gas strategy, Tampa Electric uses a portfolio approach to coal procurement. Big Bend Unit 4 is designed to burn high-sulfur Illinois Basin coal, is fully scrubbed for sulfur dioxide and nitrogen oxides, and the unit has been upgraded to operate on natural gas. Polk Unit 1 can burn a blend of petroleum coke and low sulfur coal, or natural gas. Each plant has varying operational and environmental restrictions and requires solid fuel with custom quality characteristics such as ash content, fusion temperature, sulfur content, heat content, and chlorine content.

Coal is not a homogenous product. The fuel's chemistry and contents vary based on many factors, including geography. The variability of the product dictates that

Tampa Electric selects its fuel based on multiple parameters. Those parameters include unique coal quality characteristics, price, availability, deliverability, and creditworthiness of the supplier.

To minimize costs, maintain operational flexibility, and ensure reliable supply, Tampa Electric typically maintains a portfolio of bilateral coal supply contracts with varying term lengths. Tampa Electric monitors the market to obtain the most favorable prices from sources that meet the needs of the generation stations. The use of daily and weekly publications, independent research analyses from industry experts, discussions with suppliers, and coal solicitations aid the company in monitoring the coal market. This market intelligence also helps shape the company's coal procurement strategy to reflect short- and long-term market conditions. Tampa Electric's strategy provides a stable supply of reliable fuel sources. In addition, this strategy allows the company the flexibility to take advantage of favorable spot market opportunities and address operational needs.

Q. Please summarize how Tampa Electric will manage its solid fuel supply contracts through 2025.

A. Tampa Electric will supply the Big Bend and Polk Stations with solid fuel through a combination of existing inventory, short-term contracts, and, as necessary, spot purchases in support of the most economic commitment and dispatch for the generation fleet. Short-term and spot purchases allow the company to adjust supply to reflect changing coal quality and quantity needs, operational changes, and pricing opportunities. Currently, the company is operating Polk Unit 1 on natural gas and Big Bend Unit 4 on natural gas and coal.

Coal Transportation

Q. Please describe Tampa Electric's solid fuel transportation arrangements.

A. Tampa Electric can receive coal at its Big Bend Station via waterborne or rail delivery. Once delivered to Big Bend Station, solid fuel is consumed onsite, or blended and trucked to Polk Station for consumption in Polk Unit 1. As a result of declining solid fuel burns over the last few years, Tampa Electric now purchases delivered coal, where waterborne coal supply and transportation are arranged by the supplier. Procuring delivered waterborne coal continues to provide customers with competitive coal prices through a simplified process. Commodity and

transportation of coal by rail is still being arranged separately, as necessary.

Q. Why does the company maintain multiple coal transportation options in its portfolio?

A. Bimodal solid fuel transportation to Big Bend Station affords the company and its customers various benefits. Those benefits include 1) access to more potential coal suppliers, which results in a more competitively priced, and diverse, delivered coal portfolio; 2) the opportunity to switch to either water or rail in the event of a transportation breakdown or interruption on the other mode; and 3) competition among transporters for future solid fuel transportation contracts. The benefits of bimodal solid fuel transportation were apparent in 2022 as coal deliveries by rail were not reliable due to labor shortages in the rail industry.

Q. Will Tampa Electric continue to receive coal deliveries via rail in 2024 and 2025?

A. No. Tampa Electric does not expect to receive coal for use at Big Bend Station through the Big Bend rail facility during 2024 and 2025.

Q. Please describe Tampa Electric's expectations regarding waterborne coal deliveries.

A. Tampa Electric expects to receive the majority of its solid fuel supply in 2025 from waterborne deliveries to its unloading facilities at Big Bend Station. These deliveries come via the Mississippi River System or from foreign sources. The ultimate supply source is dependent upon quality, operational needs, and lowest overall delivered cost.

Q. Do you have any other updates to provide regarding Tampa Electric's solid fuel transportation portfolio?

A. Yes. Tampa Electric continues to burn natural gas as the economic fuel in Polk Unit 1. Big Bend Unit 4 is projected to burn coal and gas in 2025. Although coal consumption has decreased relative to previous years, the expected coal burn in 2025 will be similar to 2024.

Q. Has Tampa Electric reasonably managed its fuel procurement practices for the benefit of its retail customers?

A. Yes. Tampa Electric diligently manages its mix of long-

term, intermediate, and short-term purchases of fuel in a manner designed to reduce overall fuel costs while maintaining electric service reliability. The company's fuel activities and transactions are reviewed and audited on a recurring basis by the Commission. In addition, the company monitors its rights under contracts with fuel suppliers to detect and prevent any breach of those rights. Tampa Electric continually strives to improve its knowledge of fuel markets and take advantage of opportunities to minimize the costs of fuel.

Q. Are there any other pertinent aspects of how Tampa Electric manages its fuel supply portfolio?

A. Yes. As part of Tampa Electric's 2017 Amended and Restated Stipulation and Settlement Agreement approved by Commission Order No. PSC-2017-0456-S-EI, issued on November 27, 2017 in Docket No. 20170210-EI, and extended by the 2021 Stipulation and Settlement Agreement approved by Order No. PSC-2021-0423-S-EI issued on November 10, 2021 in Docket No. 20210034-EI, Tampa Electric has been operating under an Asset Optimization Mechanism since January 1, 2018. Tampa Electric has requested the Asset Optimization Mechanism be extended as part of its Petition for Rate Increase in Docket No. 20240026-EI. This

Optimization Mechanism encourages Tampa Electric to market temporarily unused fuel supply assets to capture cost mitigation benefits for customers. These benefits have come through economic power purchases, economic power sales, participation in the Southeast Energy Exchange Market ("SEEM"), resale of unneeded fuel supply, an asset management agreement for natural gas storage, utilization of natural gas storage and transportation assets.

Projected 2025 Fuel Prices

Q. How does Tampa Electric project fuel prices?

A. Tampa Electric reviews fuel price forecasts from sources widely used in the industry, including the New York Mercantile Exchange ("NYMEX"), S&P Global, the Energy Information Administration, and other energy market information sources. Future prices for energy commodities as traded on NYMEX, averaged over five consecutive business days ending June 26, 2024, form the basis of the natural gas and No. 2 oil market commodity price forecasts. The price projections for these two commodities are then adjusted to incorporate expected transportation costs and location differences.

Coal commodity and transportation prices are projected using contracted prices and information from industry recognized consultants, published indices, such as Coaldesk, LLC and the Energy Information Administration. Also, the price projections are specific to the quality and mined location of coal utilized by Tampa Electric's Big Bend Unit 4 and Polk Unit 1. Final as-burned prices are derived using expected commodity prices and associated transportation costs.

Q. How do the 2025 projected fuel prices compare to the fuel prices projected for 2024 in the company's mid-course correction filing filed on April 2, 2024?

A. After another mild winter, natural gas storage inventory levels are near the 5-year maximum, and production has been strong through the first half of the year causing prices to fall. Prices are expected to increase in 2025 as additional production comes online to meet the demand from a new wave of LNG export projects. For coal, the 2025 projected prices are similar to those in 2024.

The commodity price for natural gas during 2025 is projected to be higher ($3.59 per MMBtu) than the 2024 price ($2.48 per MMBtu) projected in the company's 2024

mid-course correction fuel filing approved by Order No. PSC-2024-0172-PCO-EI on May 24, 2024. The 2025 delivered coal price projection is similar to ($91.33 per ton) the price projected for 2024 ($91.33 per ton) during preparation of the 2024 mid-course correction fuel clause factors.

Q. Does this conclude your direct testimony?

A. Yes.