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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 Benjamin F. Smith, II.

Thank you for your assistance in connection with this matter.

Sincerely,

A handwritten signature in blue ink that reads '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:

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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
BENJAMIN F. SMITH II**

FILED: SEPTEMBER 5, 2024

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **PREPARED DIRECT TESTIMONY**

3 **OF**

4 **BENJAMIN F. SMITH II**

5
6 **Q.** Please state your name, address, occupation, and
7 employer.

8
9 **A.** My name is Benjamin F. Smith II. My business address is
10 702 North Franklin Street, Tampa, Florida 33602. I am
11 employed by Tampa Electric Company ("Tampa Electric" or
12 "company") as Manager, Gas and Power Origination within
13 the Origination and Trading Department.

14
15 **Q.** Please provide a brief outline of your educational
16 background and business experience.

17
18 **A.** I received a Bachelor of Science degree in Electric
19 Engineering in 1991 from the University of South Florida
20 in Tampa, Florida, and a Master of Business Administration
21 degree in 2015 from Saint Leo University in Saint Leo,
22 Florida. I am also a registered Professional Engineer
23 within the State of Florida and a Certified Energy Manager
24 through the Association of Energy Engineers. I joined
25 Tampa Electric in 1990 as a cooperative education student.

1 During my years with the company, I have worked in the
2 areas of transmission engineering, distribution
3 engineering, resource planning, retail marketing, and
4 wholesale power marketing. I am currently the Manager,
5 Gas and Power Origination within the Origination and
6 Trading Department. My responsibilities are to evaluate
7 short and long-term power purchase and sale opportunities
8 within the wholesale power market, assist in wholesale
9 power and gas transportation origination and contract
10 structures, assist in combustion byproduct contract
11 administration and market opportunities, and manage the
12 company's renewable energy credit (REC) sales activity in
13 the voluntary REC market. In this capacity, I interact
14 with wholesale power market participants such as
15 utilities, municipalities, electric cooperatives, power
16 marketers, other wholesale developers and independent
17 power producers, as well as with natural gas pipeline
18 owners and transporters and REC brokers.

19
20 **Q.** Have you previously testified before the Florida Public
21 Service Commission ("Commission")?

22
23 **A.** Yes. I have submitted written testimony in the annual
24 fuel docket since 2003, and I have testified before this
25 Commission in Docket Nos. 20030001-EI, 20040001-EI, and

1 20080001-EI regarding the appropriateness and prudence of
2 Tampa Electric's wholesale purchases and sales.

3

4 **Q.** What is the purpose of your testimony in this proceeding?

5

6 **A.** The purpose of my testimony is to provide a description
7 of Tampa Electric's purchased power agreements that the
8 company has entered and for which it is seeking cost
9 recovery through the Fuel and Purchased Power Cost
10 Recovery Clause ("fuel clause") and the Capacity Cost
11 Recovery Clause. I also describe Tampa Electric's
12 purchased power strategy for mitigating price and supply-
13 side risk, while providing customers with a reliable
14 supply of economically priced purchased power.

15

16 **Q.** Please describe the efforts Tampa Electric makes to ensure
17 that its wholesale purchases and sales activities are
18 conducted in a reasonable and prudent manner.

19

20 **A.** Tampa Electric evaluates potential purchase and sale
21 opportunities by analyzing the expected available amounts
22 of generation and power required to meet the projected
23 demand and energy of its customers. Purchases are made to
24 achieve reserve margin requirements, meet customer demand
25 and energy needs, meet operating reserve requirements,

1 supplement generation during unit outages, and for
2 economical purposes. When Tampa Electric considers making
3 a power purchase, the company diligently searches for
4 available supplies of wholesale capacity or energy from
5 creditworthy counterparties. The objective is to secure
6 reliable quantities of purchased power for customers at
7 the best possible price.

8
9 Conversely, when there is a sales opportunity, the company
10 offers profitable wholesale capacity or energy products
11 to creditworthy counterparties. The company has wholesale
12 power purchase and sale transaction enabling agreements
13 with numerous counterparties. This process helps to
14 ensure that the company's wholesale purchase and sale
15 activities are conducted in a reasonable and prudent
16 manner.

17
18 **Q.** Has Tampa Electric reasonably managed its wholesale power
19 purchases and sales for the benefit of its retail
20 customers?

21
22 **A.** Yes, it has. Tampa Electric has fully complied with, and
23 continues to fully comply with, the Commission's Order
24 No. PSC-1997-0262-FOF-EI, approved on March 11, 1997, and
25 issued in Docket No. 19970001-EI, which governs the

1 treatment of separated and non-separated wholesale sales.
2 The company's wholesale purchase and sale activities and
3 transactions are also reviewed and audited on a recurring
4 basis by the Commission.

5
6 In addition, Tampa Electric actively manages its
7 wholesale purchases and sales with the goal of
8 capitalizing on opportunities to reduce customer costs
9 and improve reliability. The company monitors its
10 contractual rights with purchased power suppliers, and
11 with entities to which wholesale power is sold, to detect
12 and prevent any breach of the company's contractual
13 rights. Tampa Electric continually strives to improve its
14 knowledge of wholesale power markets and available
15 opportunities within the marketplace. The company uses
16 this knowledge to minimize the costs of purchased power
17 and to maximize the savings the company provides retail
18 customers by making wholesale sales when excess power is
19 available on Tampa Electric's system and market
20 conditions allow.

21
22 **Q.** Please describe Tampa Electric's 2024 wholesale power
23 purchases.

24
25 **A.** Tampa Electric assessed the wholesale power market and

1 entered into short- and long-term purchases based on price
2 and availability of supply. Approximately 4.9 percent of
3 the company's expected needs for 2024 will be met using
4 purchased power. This includes economy energy purchases,
5 reliability purchases, as-available purchases from
6 qualifying facilities, and forward purchases from Duke
7 Energy Florida ("DEF"), the Florida Municipal Power
8 Agency ("FMPA"), and the Orlando Utilities Commission
9 ("OUC").

10
11 At present, Tampa Electric has four forward purchases
12 applicable to the year 2024. Some of them have come to
13 an end, but all are summarized below.

- 14 • A purchase from DEF, which was an extension of Tampa
15 Electric's previous contract to purchase non-firm
16 energy from DEF, was set to conclude at the end of
17 December 2023. The parties have extended the contract
18 through several amendments, and the contract now
19 continues through November 2024. None of the
20 extensions have must-take obligations, providing Tampa
21 Electric the flexibility to schedule the energy when
22 beneficial to customers. The maximum capacity of this
23 purchase is 515 MW, with 250 MW being firm during the
24 period December 2023 through February 2024. The firm
25 portion of the purchase was for reliability to ensure

1 energy service to customers in the event Tampa Electric
2 experienced cold weather. The purchase supported the
3 company's plan to lower exposure to natural gas risk
4 during its winter peak. The company's plan to minimize
5 its natural gas risk is addressed in the testimony of
6 witness John Heisey.

7
8 For 2024, the purchases associated with this agreement
9 have provided over \$5.0 million in savings to customers
10 through the end of June. These savings for customers
11 include only the utilization of the purchase as non-
12 firm, economy (i.e., excludes any firm call option
13 portion). These savings flow through the company's
14 optimization mechanism and benefit customers in
15 accordance with the methodology approved by the
16 Commission in Order No. 2017-0456-S-EI, issued on
17 November 27, 2017, and extended through December 31,
18 2024, as approved by the Commission in Order No. PSC-
19 2021-0423-S-EI issued on November 10, 2021, in Docket
20 No. 20210034-EI.

- 21 • A 75 MW firm peaking call option from OUC, executed in
22 October 2023 for the period January through February
23 2024. The purchase from OUC was for reliability to
24 ensure energy service to customers in the event Tampa
25 Electric experienced unusually cold weather.

- 1 • A 75 MW firm peaking call option from FMPA executed
2 October 2023 for the period January through February
3 2024. The purchase from FMPA was for reliability to
4 ensure energy service to customers in the event Tampa
5 Electric experienced unusually cold weather.
- 6 • A 50 MW, non-firm, must-take energy purchase executed
7 March 2024 for the period April, May, July, and August
8 2024. The April and May period is for economics. The
9 other two months are for reliability to ensure energy
10 service to customers in the event Tampa Electric
11 experienced unusually hot weather and associated gas
12 pipeline constraints, as it did in August 2023, when
13 Tampa Electric set a new summer peak load record. The
14 projected total savings to customers for the April and
15 May purchases are \$ \$164,185.

16

17 Tampa Electric has not secured other forward purchases
18 for 2024 at this time. However, the company constantly
19 searches for purchase opportunities that benefit
20 customers. As other purchase opportunities materialize,
21 the company evaluates each product to determine the
22 viability of making it part of the supply portfolio Tampa
23 Electric uses to serve customers.

24

25 At the time of the 2024 filing, Tampa Electric projected

1 capacity costs for power purchase activities, to be
2 recovered through the 2024 Capacity Cost Recovery Clause,
3 to be about \$3.51 million. On an actual basis through
4 June 2024, the capacity costs are \$10.3 million, which
5 includes the cost of the three previously described firm
6 purchases and transmission associated with short-term
7 purchases and sales.

8
9 **Q.** Does Tampa Electric anticipate entering into new
10 wholesale power purchases for 2025 and beyond?

11
12 **A.** Yes. Tampa Electric has entered into a 10-year contract
13 to purchase 18 MW from the Pasco County (Pasco) Waste-To-
14 Energy Facility. The term is January 2025 through
15 December 2034, and the purchase is a firm must-take,
16 provides a projected \$7.3 million in savings to customers
17 on a net present value basis, and was approved for full
18 cost recovery in Order No. PSC-2024-0064-PAA-EI, issued
19 March 12, 2024, and finalized in Consummating Order PSC-
20 2024-0085-CO-EI released April 3, 2024. The pricing for
21 this purchase is an all-energy rate in \$/MWh. There is
22 no capacity charge. At present, Tampa Electric has no
23 other forward purchases for 2025 and beyond.

24
25 The company projects approximately 3.6 percent of the

1 company's expected needs for 2025 will be met using
2 purchased power. However, similar to the current year,
3 the company will search for forward purchase
4 opportunities that benefit customers, which could result
5 in capacity costs being incurred. Tampa Electric has
6 included \$6.7 million in its 2025 Capacity Cost Recovery
7 Clause forecast for potential purchased power
8 opportunities.

9
10 **Q.** How does Tampa Electric mitigate the risk of disruptions
11 to its purchased power supplies during major weather-
12 related events, such as hurricanes?

13
14 **A.** During hurricane season, Tampa Electric continues to
15 utilize a purchased power risk management strategy to
16 minimize potential power supply disruptions. The strategy
17 includes monitoring storm activity; evaluating the impact
18 of storms on existing forward purchases and the rest of
19 the wholesale power market, and communicating with
20 suppliers about their storm preparations and potential
21 impacts to existing transactions. The purchased power
22 risk management strategy also includes purchasing
23 additional power on the forward market, if appropriate,
24 for reliability and economics; evaluating transmission
25 availability and the geographic location of electric

1 resources, reviewing sellers' fuel sources and dual-fuel
2 capabilities, and focusing on fuel-diversified purchases.
3 Absent the threat of a hurricane, and for all other months
4 of the year, the company evaluates economic combinations
5 of short- and long-term purchase opportunities in the
6 marketplace.

7
8 **Q.** Please describe Tampa Electric's wholesale energy sales
9 for 2024 and 2025.

10
11 **A.** Tampa Electric entered into various non-separated (e.g.,
12 next-hour and next-day sales) wholesale sales in 2024,
13 and the company anticipates making additional non-
14 separated sales during the balance of 2024 and 2025. The
15 gains from these sales are shared between Tampa Electric
16 and its customers through the company's optimization
17 mechanism.

18
19 **Q.** Please summarize your direct testimony.

20
21 **A.** Tampa Electric constantly monitors and assesses the
22 wholesale power market to identify purchase and sales
23 opportunities that benefit the company's customers. By
24 taking advantage of these opportunities, Tampa Electric
25 reduces costs to and improves service reliability for

1 customers. The company's energy supply strategy includes
2 self-generation and physical short-term (e.g., intra-
3 hour, hourly, next-day, weekly) and longer term (e.g.,
4 monthly, seasonal) power purchases. The company also
5 makes wholesale power sales that benefit customers when
6 market conditions allow. Tampa Electric's approach to the
7 wholesale power market provides customers with a reliable
8 supply at the lowest possible cost.

9
10 **Q.** Does this conclude your direct testimony?

11
12 **A.** Yes.

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