



October 21, 2024

**VIA ELECTRONIC FILING**

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

In re: Petition for Rate Increase by Tampa Electric Company

DOCKET NO. 20240026-EI

In re: Petition for approval of 2023 Depreciation and  
Dismantlement Study, by Tampa Electric Company

DOCKET NO. 20230139-EI

In re: Petition to implement 2024 Generation Base Rate  
Adjustment provisions in Paragraph 4 of the 2021 Stipulation  
and Settlement Agreement, by Tampa Electric Company

DOCKET NO. 20230090-EI

Dear Mr. Teitzman:

Enclosed for filing in the above docket is Tampa Electric Company's Post Hearing Brief.

Thank you for your assistance in connection with this matter.

Sincerely,

J. Jeffrey Wahlen

JJW/ne  
Enclosure

cc: All parties of record (w/enc.)

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

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FILED: October 21, 2024

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**POST HEARING BRIEF  
OF  
TAMPA ELECTRIC COMPANY**

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## **I. CASE HISTORY**

These consolidated dockets address three petitions filed by Tampa Electric Company (“Tampa Electric” or “the company”): (1) a petition for approval of 2023 depreciation and dismantlement study (Docket No. 20230139-EI); (2) a petition to implement 2024 generation base rate adjustment provisions in paragraph 4 of the 2021 stipulation and settlement agreement<sup>1</sup> (Docket No. 20230090-EI); and (3) a Petition for Rate Increase (Docket No. 20240026-EI). They were consolidated by Order No. PSC-2024-0096-PCO-EI, issued April 16, 2024 (“OEP”).

The company updated its rate increase requests on July 24 and August 22, 2024 [Ex. 217; Ex. 835] and submitted a reconciliation on August 1, 2024. [Ex. 218] Its updated requests seek incremental annual revenues of \$287,980,900 based on a 2025 test year to be effective with the first billing cycle for January 2025 and subsequent year adjustments (“SYA”)<sup>2</sup> of \$92,373,608 and \$65,473,847 to become effective for the first billing cycles of January 2026 and 2027, respectively.

The Florida Public Service Commission (“FPSC” or “Commission”) held three service hearings in June 2024 and an evidentiary hearing from August 26 to 30, 2024, during which it considered the testimony of 34 witnesses and over 400 exhibits.

## **II. INTRODUCTION**

Tampa Electric is required to provide reasonably sufficient, adequate, and efficient electric service to customers. Fla. Stat. §366.03 (2024). Florida’s recently revised energy policy promotes an adequate, reliable, and cost effective supply of energy. Fla. Stat. §377.601(1). It establishes energy goals for Florida using terms like secure, resilient, reliable, cost-effective, affordable, diverse, safe, and economic growth. Fla. Stat. §377.601(2). It reflects concern about natural and

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<sup>1</sup> The company’s 2021 Stipulation and Settlement Agreement (“2021 Agreement”) was approved by Order No. PSC-2021-0423-S-EI, issued November 10, 2021, in Docket Nos. 20210034-EI and 20200264-EI.

<sup>2</sup> SYA are authorized generally by Section 366.076, Florida Statutes.

manmade threats to the security and reliability of Florida’s energy supply. Fla. Stat. §377.601(3)(b). It encourages consideration of the energy needs of each economic sector, including residential, commercial, and industrial customers. Fla. Stat. §377.601(3)(h). The state’s energy policy mentions “affordable” once, but “cost-effective” and “reliable” four times each. Tampa Electric must balance the factors in the energy policy and others, like energy conservation and its financial integrity, as it plans and operates its system. It must also balance the interests of current and future customers.

Tampa Electric’s proposed rate increases reflect cost recovery for rate base additions associated with: (a) reasonable amounts of new cost effective solar generating and energy storage facilities [Issues 18, 20, 95, and 98], (b) a new operating center and corporate office building to replace old facilities located in flood zones [Issues 21, 23, 99, and 100], (c) four reciprocating internal combustion engine (“RICE”) generators in south Tampa [Issue 22 and 101], (d) other generating facility upgrades and improvements [Issues 24, 97, and 102], (e) facilities to improve Grid Reliability and Resilience (“GRR”) [Issues 19 and 96], (f) other distribution and general plant additions [Issues 15-17], and (g) a future environmental compliance project to test the viability of carbon capture and storage at the Polk Power Station [Issue 14].<sup>3</sup>

The company filed two cost of service studies, one using the Twelve Coincident Peak (“CP”) and One-Thirteenth Average Demand (“AD”) (“12 CP and 1/13<sup>th</sup> AD”) method as required by Commission rule and one using a Four CP and Full Minimum Distribution System (“4 CP and

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<sup>3</sup> OPC and FR/L cross-examined extensively on parent company Emera’s financial condition as a motive for the company’s rate base growth; however, OPC took no position on or did not challenge the cost-effectiveness or prudence of the company’s proposed Future Environmental Compliance Project (Issue 14), Future Solar (Issue 18), Energy Storage (Issue 20), corporate headquarters (Issue 21), Bearss Operating Center (Issue 23), or Polk 1 Flexibility Project (Issue 24); FR/L and Sierra Club supported the company’s cost-effective Future Solar and Energy Storage projects (Issues 18 and 20). Tampa Electric witness Archie Collins made it crystal clear that capital spending decisions are approved in Tampa by the company’s management and the Tampa Electric board of directors, which consists primarily of Floridians. [Tr. 188, 195, 407-408]

full MDS”) method as required by its 2021 Agreement. It requests approval of a depreciation and dismantlement study, and new depreciation rates. [Issues 5-12].

The company seeks approval of reasonable regulatory mechanisms that have benefited customers, will continue to benefit customers, and will promote future regulatory efficiency [Issues 111-113]. It has proposed a method to amortize its projected deferred production tax credit (“PTC”) balance as of December 31, 2024 to benefit customers as an expense reduction in the calculation of test year net operating income [Issue 64].<sup>4</sup> These items, and reasonable levels of operations and maintenance (“O&M”) expenses [Issues 43-59], are reflected in the company’s proposed increases, although its SYA only include cost recovery for the incremental O&M expenses associated with the specific projects in the SYA [Issue 105].

This post-hearing brief explains how cost-effectiveness, cost control, and efficiency have guided the company’s planning and decision making and promote affordability. It shows the company has proven by a preponderance of the evidence that (1) the company’s rate base additions are prudent, (2) its 2025 O&M expense levels are reasonable, and (3) its SYA should be approved. It also reflects how Tampa Electric has reasonably balanced the factors in Florida’s energy policy and that its proposed rates are fair, just, and reasonable.

### **III. LEGAL STANDARDS**

Chapter 366, Florida Statutes, gives the Commission authority to “determine and fix fair, just, and reasonable rates” for a public utility. Fla. Stat. §366.06(1). Section 366.06(1), Florida Statutes, directs the Commission to consider, to the extent practicable, the “cost of providing service to the class, as well as the rate history, value of service, and experience of the public utility;

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<sup>4</sup> Although the parties disagree on the amortization period, they did agree in Docket No. 20230090-EI that the incremental PTC should be deferred and resolved in this proceeding. *See* Lane Kollen Exhibit LK-13. [Ex. 54]

the consumption and load characteristics of the various classes of customers; and public acceptance of rate structures.” The Commission may also consider “the efficiency, sufficiency, and adequacy of the facilities provided and the services rendered; the cost of providing such service and the value of such service to the public; [and] the ability of the utility to improve such service and facilities.” Fla. Stat. §366.041(1). However, “no public utility shall be denied a reasonable rate of return<sup>5</sup> upon its rate base in any order entered pursuant to such proceedings.” *Id.* The 2024 bill amending Florida’s energy policy did not (1) define “affordable”, (2) expressly add “affordability” to the list of factors the Commission should consider in a rate case, or (3) direct the Commission to depart from traditional cost of service ratemaking.

The Commission conducted this proceeding under Florida’s Administrative Procedure Act (“APA”) and Chapter 366, Florida Statutes. Under the APA, “findings of fact shall be based upon a preponderance of the evidence...and shall be based exclusively on the evidence of record and on matters officially recognized.” Fla. Stat. §120.57(1)(j). The Commission’s findings and conclusions must be supported by competent, substantial evidence in the record. *Citizens of Fla. v. Brown*, 269 So. 3d 498, 505 (Fla. 2019); *Sierra Club v. Brown*, 243 So. 3d 903, 907-08 (Fla. 2018). Claims by parties<sup>6</sup> that scheduling and evidentiary rulings have violated their legal rights are without merit and should be disregarded.<sup>7</sup> The Commission should reject any adjustments proposed by intervenors for the first time in their briefs that are not reflected in the prehearing

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<sup>5</sup> The company has shown that it expects its earned return on equity for 2024 will be below 9 percent, which is not a fair and reasonable rate of return. [Tr. 99]

<sup>6</sup> The Office of Public Counsel, Federal Executive Agencies, Florida Rising/League of United Latin American Citizens of Florida, and Florida Industrial Power Users Group will be abbreviated as “OPC,” “FEA,” “FR/L,” and “FIPUG,” respectively. Other intervenors and the consumer parties collectively will be referred to generically as “intervenors” or with their formal names.

<sup>7</sup> The Commission correctly rejected intervenor attempts to introduce a recent Duke Energy rate case Settlement Agreement into evidence as irrelevant. Settlement agreements must be reviewed in total as a package and reflect give and take between the settling parties such that individual provisions – such as return on equity – do not reflect the position of any party in the settled case or future proceedings; therefore, they are not relevant in another rate case.

order, if any, because proposing such adjustments for the first time in a post-hearing brief is contrary to the OEP and would violate the company's due process rights by depriving the company of an opportunity to brief them. Tampa Electric has met its burden of proof and has proven its position on the issues by a preponderance of competent substantial evidence; therefore, its requests for rate and other relief should be granted.

#### **IV. STATEMENT OF POSITIONS AND ARGUMENT**

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

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

**TECO:** \*Yes. Tampa Electric's proposed test period of the twelve months ending December 31, 2025 is appropriate for use as a test year because (1) 2025 is the first year the company's proposed rates are proposed to be in effect and (2) the company's financial budget for that period reasonably represents Tampa Electric's projected revenues and costs of service, capital structure, and rate base needed to provide safe, reliable and cost-effective electric service.\*

This issue appears to be uncontested. The projected calendar year 2025 is appropriate for use as the test year in this case because it reflects the company's projected revenues and expenses, capital structure, and rate base required to provide safe, reliable, and cost-effective service to customers when the company's proposed new rates for 2025 will be in effect. [Tr. 3366] Although intervenors have proposed adjustments to specific elements of the company's 2025 test year forecast, they do not contest the use of 2025 as a test year. The company's proposed 2025 test year is reasonable for ratemaking purposes and should be approved.



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

**TECO:** \*Yes. The company's 2025 customer, demand, and energy forecast uses theoretically and statistically sound forecasting methods previously reviewed and approved by the Commission and reasonable and appropriate "out of model" adjustments for changes in energy efficiency, electric vehicle charging, and private rooftop solar. OPC's proposed base revenue adjustments for 2025, 2026, and 2027 use a methodology that overlooks key facts, has severe shortcomings, is inaccurate, and therefore should be rejected.\*

The preponderance of the evidence shows that the company's 2025 customer, demand, and energy forecast uses theoretically and statistically sound forecasting methods previously reviewed and approved by the Commission and should be approved. Tampa Electric used econometric models and Statistically Adjusted End-use Forecasting ("SAE") models, which are integrated to develop projections of customer growth, energy consumption, and peak demands. [Tr. 1491] The econometric models measure past relationships between economic variables, such as population, employment, and customer growth. [*Id.*] The SAE models were used to project average per-customer consumption and incorporate an end-use structure into an econometric model. [*Id.*] Tampa Electric has consistently used the SAE and econometric models since 2003 and these models have been submitted to the Commission for review and have been used in past regulatory proceedings. [Tr. 1491-1492]

The statistical models used by Tampa Electric do not have explanatory variables that capture the future conservation, electric vehicle charging, and customer-owned rooftop solar impacts on future energy sales. [Tr. 1512] Accordingly, the company considered the impact of these three factors – "exogenous forecasts" – on the energy sales forecast outside the model. [Tr. 1512, 1527] While OPC recommends excluding the "out of model adjustments" [*Id.*], doing so would impair the company's ability to provide reliable service to its customers and would impede

Tampa Electric's ability to plan appropriately for future generation and infrastructure needs. [Tr. 1512-1513]

OPC's argument that the company's projected sales decrease of 3.9 percent for the test year is inconsistent with historical trends has no merit. [Tr. 2178] The forecasted usage per-customer decline in 2024 is the result of higher energy consumption in 2023 due to hotter weather versus projection of energy consumption for 2024 under normal weather conditions. [Tr. 1515-1516] The company's forecasted decrease is consistent with decreases forecasted by other Florida utilities that serve load in the middle to southern part of Florida. [Tr. 1516; Ex. 146, MPN D7-440 to D7-442] OPC's claim that the company's sales forecast is understated and should be based on the 2013 to 2023 average historical growth rate of 1.2 percent is unreasonable. [Tr. 1517] Its suggestion that a forecast be based on a historical trend is overly simplistic and ignores the impacts that weather, conservation, electric vehicle charging, and customer-owned solar have on future energy sales. [Id.]

As it has done for many years, Tampa Electric reasonably used a 20-year historical period for weather to calculate its load forecasts and as the predictive period for normal weather in this case. [Tr. 1532] OPC suggests the company's sales projections are inconsistent with historical trends and presents certain adjustments based on a 10-year historical period. [Ex. 38, MPN C20-1980 to 1981] The Commission should reject any recommendation to reduce the company's historical period for weather from 20 years to 10 years.

Using a 20-year period to determine normal weather is industry standard for utilities in Florida. [Tr. 1516, 1532, 1598] The use of a 20-year period also provides a large sample of degree days which provides for a stable transition from year to year in normal weather assumptions. [Tr. 1598-1599] This stable transition is important since the energy sales forecast is used outside of

rate case proceedings for the company's long-term planning, generation planning, and transmission system planning. [Tr. 1512, 1599] Changing to a 10-year normalization period would increase projected sales, but also accelerate the need to build new generating plant and increase projected expense levels. Additionally, since the Florida Reliability Coordinating Council ("FRCC") relies on the uniform period of 20 years for member utilities in preparing certain assessments [Tr. 1512, 1599], forcing one utility like Tampa Electric to adopt a different period would impair the comparability of FRCC data. The Commission should find the company's forecasts are appropriate and reasonable.

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

**TECO:** \*The company's 2025 forecast was prepared using a 2.1 percent inflation rate, a 1.7 percent increase in customer growth, a 3.75 percent increase for non-union labor, and a 3.5 percent increase for union labor.\*

The company's projected customer growth for 2025 is 1.7 percent. [Tr. 1500] The historical 10-year average annual growth rate ("AAGR") for customers is 1.9 percent and projected customer growth rates are 1.4 percent. [*Id.*] The projected customer growth of 1.7 percent in 2025 slows to 1.2 percent by 2033. [*Id.*] The University of Florida's Bureau of Economic and Business Research's population projections drive the lower projected growth rates. The moderation of growth rates over the forecast horizon is a consistent trend as seen in the company's past Ten-Year Site Plans, as well as in other Florida utilities' Ten-Year Site Plans. [*Id.*] The company's 2025 increases for union and non-union labor costs are supported by the testimony of Tampa Electric witness Marian Cacciatore [Tr. 1419]. Its 2.1 percent inflation rate is consistent with the direct testimony of Tampa Electric witness Lori Cifuentes [Tr. 1490] and MFR Schedule C-33. [Ex. 5, MPN J368] The company's proposed 2025 factors are reasonable and should be approved.

## QUALITY OF SERVICE

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

**TECO:** \*Yes. The company scored better than industry average for all six J.D. Power measures of customer satisfaction in 2023. Its FPSC complaint record and service hearings do not reveal systemic service problems. The company has improved its system heat rate, reduced the frequency of power outages and shortened the duration of those outages. Its “flickers” in 2023 were 30 percent less frequent than in 2017 and the company provides 99.98 percent service reliability.\*

Quality of service involves more than call center metrics (e.g., answer time) and the testimony of a small number of customers at service hearings, and indeed, none of the parties claimed in their prehearing position that the company’s quality of service is inadequate. While FR/L took a position that there was “room for improvement,” they did not offer any evidence to contest the overall adequacy of the company’s quality of service. Tampa Electric’s customer service measures, generation efficiency, reliability metrics, Commission complaint activity, and customer hearing testimony show that the company provides safe, reliable, and high-quality service to its customers; therefore, the Commission should find that the company’s quality of service is adequate for ratemaking purposes.

Customer Service Measures. Tampa Electric’s J.D. Power survey scores illustrate the company’s high level of customer service. In 2022, Tampa Electric was recognized by J.D. Power as the most improved electric residential brand in the nation over the past five years. [Tr. 456] The company’s overall customer satisfaction, as measured by J.D. Power, increased by 60 points for residential and 14 points for business since 2017. [*Id.*] While the company’s overall J.D. Power residential customer satisfaction scores declined in 2023, other Florida electric utilities experienced similar fuel-cost related declines. [*Id.*] Furthermore, Tampa Electric remained 22 points above the industry average, scoring better than the industry average for every residential customer satisfaction criteria – Power Quality & Reliability, Corporate Citizenship,

Communications, Customer Care, Billing & Payment, and Price. [*Id.*] Tampa Electric’s 2023 final satisfaction score for the business customer side also declined in 2023, which was consistent with other Florida Utilities, but the company’s score remained seven points above the industry average. [*Id.*]

Generation Efficiency. Since 2013, Tampa Electric’s system heat rate has improved by about 27 percent. [Tr. 620] This heat rate improvement translates into lower air emissions from power generation and lower fuel costs for customers. [*Id.*] The company’s improved heat rate will result in 25 percent lower fuel costs for customers as compared to the 2013 heat rate. [*Id.*] As shown under Issues 18, 20, 22, 24, 95, 97, 98, 101, and 102, the company continues to invest in cost-effective generation projects and additions that will continue to moderate the cost of fuel used to generate electricity and improve the company’s generating efficiency.

Reliability. Tampa Electric’s improvement in reliability metrics also shows that the company provides excellent customer service. Since 2021, Tampa Electric’s System Average Interruption Duration Index (“SAIDI”) score, which tracks the total minutes of interruption time the average customer experiences in a year, has declined from 84.5 to 57.27. [Tr. 1109-1110] Over that same period, the company’s Momentary Average Interruption Event Frequency Index (“MAIFIE”), which tracks the average number of times a customer experiences a momentary outage during a year, declined and the company’s CEMI-5 score, which tracks customers who experience six or more sustained outages annually, decreased from 9,744 to 1,022. [*Id.*]

Commission Complaint and Customer Service Hearings. The company has performed well since the company’s last rate case in 2021 and had its lowest ever Commission escalations in 2021, with total escalated calls at 288. [Tr. 462; Ex. 17, MPN C2-148] Escalations have increased largely due to increased rates (storm surcharge), fuel adjustments, and record high temperatures

contributing to higher energy costs [Tr. 462], which were largely beyond the company's control [Tr. 455]

Although a total of 53 Tampa Electric customers attended the company's three service hearings and offered testimony regarding the company's service and rate request, they represented a minute percentage of the company's over 800,000 customers. [Ex. 219, MPN E8324] Most of the service hearing participants expressed concerns about the level of the company's proposed rate increase and how general inflation (housing, insurance, food, healthcare, medicine, etc.) impacted their lives, but did not criticize the company's quality of service.

Of the 53 participants, ten requested assistance or follow-up from the company. [Ex. 219, MPN E8329] The company followed up with each of these customers, was able to address almost all issues they raised, and many of these customers expressed their gratitude for the company's efforts. [*Id.*]

As the Commission weighs the service hearing testimony, it should note that about half of the witnesses who testified on June 13, 2024 appeared on behalf of or identified with organizations that are formal parties to this case or other advocacy groups.<sup>8</sup> For example, six witnesses were members of FR/L (including one who is its Tampa District Director) [Sinclair, Tr. 47; Washington, Tr. 65; Crawford, Tr. 79; Lockett, Tr. 101; Medrano, Tr. 108; Warner, Tr. 124] and three were with the Sierra Club (including its Lead Representative for Beyond Coal Campaign)[Stevens, T. 42; Randolph, Tr. 63; Smith, Tr. 118]. Sierra Club used the service hearing to advocate on issues usually reserved for the final technical hearing, *e.g.*, return on equity [Tr. 43], South Tampa Resilience Project [Tr. 42], and Polk 1 and Big Bend 4 [Tr. 121-122]. Six other witnesses

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<sup>8</sup> Similarly, as the Commission weighs the over 7,800 pieces of correspondence in Exhibit 832, it should note that about 7,500 items appear to be form emails instigated by AARP and another 150 appear to be form emails of unknown origin.

represented groups such as AARP [Tr. 37, 40], Food & Water Watch [Intern, Tr. 44], Central Florida Jobs with Justice [Pate – Leader, Tr. 49; Panton – Tampa Organizer, Tr. 54], and Hillsborough Affordable Energy Coalition [Tr. 104]. Although one former company employee testified, there is no evidence that Tampa Electric asked him to testify.

### **DEPRECIATION AND DISMANTLEMENT STUDY**

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

**TECO:** \*Yes. The 2023 Depreciation Study filed by Tampa Electric on December 27, 2023 shows that the company’s currently prescribed depreciation rates and provision for dismantlement should be revised.\*

None of the parties contest that the Commission should consider the company’s depreciation study and update the company’s depreciation rates. Consistent with the 2021 Agreement, Tampa Electric witness Ned Allis prepared a Depreciation Study filed in December 2023 that determined the annual depreciation accrual rates and amounts for book and ratemaking purposes. [Ex. 26, MPN C11-670] The depreciation rates are based on the straight-line method using the average service life (“ASL”) procedure and were applied on a remaining life basis. [*Id.*] The calculations were based on attained ages, estimated service lives, and forecasted net salvage characteristics for each group of assets. [*Id.*] The depreciation study results in an annual depreciation expense increase of approximately \$33.8 million as of December 31, 2024, relative to the current approved depreciation rates. [*Id.*] The Commission should revise the company’s currently prescribed depreciation rates and provision for dismantlement in accordance with its Depreciation Study, except for the life for energy storage which, as discussed under Issue 7, should be 20 years.

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

**TECO:** \*January 1, 2025. This effective date matches the proposed effective date of the company's proposed new 2025 customer rates.\*

This issue appears to be uncontested. The depreciation rates proposed by Tampa Electric are based on the projected balances of depreciable electric properties in service as of December 31, 2024, the effective date of the depreciation study. [Tr. 1647] The Commission should approve January 1, 2025 as the implementation date for Tampa Electric's new depreciation rates and provision for dismantlement. [Tr. 3400]

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

**TECO:** \*The Commission should approve the parameters and depreciation rates in Document 4 of Exhibit NA-1, except the life for energy storage devices should be 20 years. The Commission should reject intervenor proposals to the contrary and approve the proposed 35- and 30-year lives for combined cycle and solar generation. It should also reject FEA's proposed interim survivor curves, its proposed survivor curve for account 367, and its net salvage estimates, and Sierra Club's proposed depreciation parameters.\*

On August 22, 2024, the company filed an update to its proposed rate increases for 2025, 2026, and 2027 that, among other things, changed the life for energy storage devices from its original proposal of 10 years to 20. [Tr. 1745; Ex. 835] The Commission should approve a 20 year life for energy storage devices and approve the remaining parameters and rates as originally proposed.

The Commission should reject FEA's proposed adjustments to the life spans for the company's combined cycle facilities from 35 years to 40 years. [Tr. 1708; Tr. 3024] Its proposal is based solely on its assertion that a 40-year life span is consistent with other utilities. [Tr. 1709] FEA offers no further evidence or discussion of Tampa Electric asset-specific factors relevant for



consideration in determining the life spans of the company's combined cycle generating plants. [Tr. 1709-1710]

The company, on the other hand, explained that the Commission should consider other factors such as its transition to a larger share of renewable generation and increasing load growth. [Tr. 1706-1707] Increased solar generation and the inconsistency of solar energy means all generating plants – even base load plants – will cycle multiple times during a day to follow the load and available solar generation. [Tr. 1710-1711] This increased cycling can limit or reduce the life span of the facility. [Tr. 1709-1711] At a minimum, increased cycling means more capital replacements and investments to continue operating the facility, impacting the overall economics of operating the facility. [Tr. 1711] Additionally, because most plants were designed for true base load operations and not frequent cycling or following load, they can experience more challenges. [Tr. 1711-1712]

FEA also failed to consider the specific characteristics of Bayside Units 1 and 2. [Tr. 1713] These units use both (i) relatively new assets (combustion turbines, heat-recovery steam generators and other assets) constructed in 2003 and 2004 and (ii) existing steam turbines originally placed in service in the 1960s. [*Id.*] The fact that a portion of the units is relatively old impacts the overall lifespan of the plant and means that a 40-year life span, as measured from the installation of the combustion turbines, is likely not attainable from an operational standpoint. [Tr. 1713-1714] The company's proposed 35-year life is a natural response to the uncertainty regarding whether combined cycle units can attain longer life spans. [Tr. 1714]

The Commission should reject FEA's proposals to use interim survivor curves for interim retirement estimates for at least two reasons. [Tr. 1722] First, FEA offered no support other than mathematical curve fitting results, and its curve fitting efforts fail to properly consider the

company's historical data, thereby incorrectly projecting the experience of older, different technologies used by other utilities onto the company's current generation fleet. [*Id.*] Second, FEA provided no evidence that it supplemented its statistical analysis with other information used by the company in this case, such as information derived from site visits, meetings and general knowledge of the property, which information should be considered when estimating service lives. [Tr. 1723]

The Commission should reject FEA's proposals for mass property, including a suggested survivor curve for account 367.00, Underground Conductors and Devices, and net salvage estimates. FEA proposes to retain the current estimate for Account 367.00 which is 45-R1.5. [Tr. 1725-1728] Mr. Allis recommended the 35-R1.5 survivor curve which is supported by historical retirements for this account. [*Id.*] In addition to an actuarial analysis, Mr. Allis performed a Simulated Plant Record ("SPR") analysis which supported a similar service life. [Tr. 1729] Mr. Allis' actuarial analysis based on statistically aged data and his SPR analysis, provide a better basis for determining a service life estimate than FEA's suggestion. [*Id.*]

The Commission should reject FEA's proposed change in net salvage estimates for six asset classes. [Tr. 1731] Tampa Electric's estimates are more reasonable than FEA's because they align more closely with recent trends in net salvage experience, and they more appropriately consider the current trend toward increasing cost of removal in the utility industry. [Tr. 1732] FEA's reliance on overall net salvage rates to estimate future net salvage is not an appropriate approach to estimating future costs. [Tr. 1733] Accordingly, FEA's proposed change in net salvage estimates should be rejected.

OPC's arguments that the present approved 35-year service life for solar assets should be retained has no merit. [Tr. 1716] First, the 35-year life span reflected in current depreciation rates

is based on a settlement agreement in the company's previous rate case in which the company had proposed a 30-year life span. [*Id.*] Second, Tampa Electric's use of a 35-year life span for resource planning is simply consistent with the company's practice of using the *currently approved* life span estimate. [*Id.*]

Mr. Allis further testified that there are other specific factors to be considered related to solar that OPC's testimony erroneously failed to consider. First, FERC Order 898 modifies the Uniform System of Accounts for renewable and storage generation. [Tr. 1717] This will include providing additional subaccounts for assets such as inverters and collector systems, at least some of which may have different – shorter - life characteristics than the overall facilities. [*Id.*] OPC's proposal to use an average service life of 35 years rather than 30 years is to effectively increase the service life of solar assets. [*Id.*] This is not a reasonable approach at this time at least until the accounting changes are implemented and the new subaccounts can be studied in a new depreciation study in the next rate case. [Tr. 1717-1718] Additionally, a longer life span of 35 years is inappropriate given the pace of technological change. [Tr. 1718] In fact, an overall service life of 30 years is already long given the pace of technological changes. [*Id.*] OPC's proposal could reduce depreciation expense in the short term; however, in the long term it will be more costly to customers as more will need to be recovered in the future and rate base will be lower than if a 30-year average service life had been used. [*Id.*] As Mr. Allis explained, if the lifespans of these facilities are less than OPC's proposal, the use of OPC's depreciation rates would also mean future customers would pay a disproportionate share of the cost of these assets, perhaps even after they are already retired. [*Id.*] The evidence in the record demonstrates that the company's proposed 30-year life should be approved.

As shown in Issues 43 and 44, the Commission should reject Sierra Club's proposals to early retire the Integrated Gasified Combined Cycle ("IGCC") components at Polk Unit 1 and the coal combustion assets at Big Bend Unit 4; therefore, it should also reject Sierra Club's proposed adjustments to depreciation parameters for those assets.

**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?

**TECO:** \*As of December 31, 2024, the company's book reserve is approximately \$167 million lower than the theoretical reserve shown in the 2023 Depreciation Study, so the reserve imbalance is approximately negative \$167 million.\*

This is a fallout issue dependent on the Commission's decisions on other depreciation and dismantlement issues. The company's as-filed position is supported by the direct testimony of Mr. Allis. [Tr. 1688]

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

**TECO:** \*The theoretical reserve balance identified in Issue 8 should be addressed through remaining life depreciation rates. There is no need for reserve balance transfers.\*

It appears that the parties agree with the company's position, and that this issue is uncontested. The company's position is supported by the testimony of Mr. Allis. [Tr. 1688-1689]

**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?

**TECO:** \*Yes.\*

This issue appears to be uncontested, and the company's position is supported by the direct and rebuttal testimony of Tampa Electric witness Valerie Strickland. [Tr. 3197; Tr. 3219-3220]

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

**TECO:** \*The annual accrual for dismantlement should be \$17,442,392 effective January 1, 2025. This amount was calculated in accordance with Rule 25-6.04364 and properly considers escalation of costs, environmental remediation costs, and contingencies.\*

The company's proposed annual dismantlement accrual of \$17,442,392 is reasonable and supported by the rebuttal testimony of Tampa Electric witness Jeff Chronister and Document No. 2 of his rebuttal exhibit. [Tr. 3445-3452; Ex. 151, MPN D13-882] This amount was developed based on the dismantlement cost estimates developed by Tampa Electric witness Jeff Kopp [Tr. 1758-1767] and complies with Rule 25-6.04364, which calls for the use of escalation factors (Rule 25-6.04364(3)(f), (m) and 25-6.04364(4)), which requires consideration of all dismantlement related expenditures including environmental remediation costs (Rule 25-6.04364(2)(c)), and contemplates consideration of contingencies (Rule 25-6.04364(2)(a)). OPC's arguments that the company's dismantlement accrual should not consider escalation of costs, environmental remediation costs, and contingencies is unreasonable and inconsistent with the dismantlement rule; therefore, they should be rejected and the company's proposed annual dismantlement accrual should be approved.

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

**TECO:** \* All dismantlement reserve surpluses and deficiencies, if any, should be resolved over the remaining life of the related assets.\*

Tampa Electric's revised position on this issue is consistent with the positions of the other parties; therefore, this issue appears to be uncontested. Document No. 2 of Mr. Chronister's rebuttal exhibit reflects a remaining life approach to dismantlement reserve deficiencies. [Ex. 151, MPN D13-881 to D13-995]

## **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?

**TECO:** \*Yes.\*

The company removed non-utility activities from its 2025 rate base as demonstrated in the Chronister II direct testimony (adopted and filed on May 2, 2024) and MFR Schedules B-1, B-2, B-6, and B-7. [Tr. 3382-3384; Ex. 4, MPN J29; J32; J48 to J52; J58 to J67] The only party opposing this issue was FR/L, and their position does not address “non-utility activities” as the Commission commonly uses that term. Rather, it reflects their view on other specific rate base issues. The preponderance of the evidence shows that Tampa Electric 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.

**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?

**TECO:** \*Yes. This Project is a prudent step to protect the long-term viability of gas-fired generation at Polk at a significantly reduced cost to customers. After accounting for \$98.4 million in Department of Energy grants, the total cost of the project is estimated to be \$126.5 million, of which only \$28.1 million will be paid by Tampa Electric and only \$18.2 million of which the company proposes to be recovered through customer rates in this case.\*

This issue only addresses cost recovery for the company’s preliminary evaluation of the feasibility of capturing, transporting, and storing carbon at the company’s Polk Unit 2 facility. The project does not address the installation of carbon capture or storage equipment at Polk Unit 2, and the company is not seeking cost recovery for installation of that equipment in this case. Instead, this evaluation project includes: (1) a front-end engineering and design study to evaluate carbon capture technology for Polk Unit 2; (2) an engineering evaluation of the storage and transportation

component of the project as well as developing and submitting permit applications; and (3) drilling two wells to study the geological suitability of the area for carbon storage. [Tr. 845-846, 951; Ex. 194, MPN E5504]

This preliminary evaluation will inform the company on the feasibility of installing a carbon capture and storage (“CCS”) system for Polk Unit 2 emissions in the future; however, the company does not seek cost recovery for future carbon capture investments in this case. [Tr. 953] The Commission should find that (1) it is prudent for Tampa Electric to evaluate the feasibility of installing CCS at Polk Unit 2 by assessing the suitability of the site for carbon capture and underground storage and (2) the Future Environmental Compliance Project should be included in rate base for the 2025 projected test year.

This evaluation project is consistent with Section 377.601(3)(j), Florida Statutes, which encourages the research, development, demonstration, and application of domestic energy resources (like natural gas) and because the project will promote the long-term viability of the company’s fossil fuel generation units. [Tr. 844-845] It will also further the state’s policy of ensuring an adequate, secure, resilient, reliable, cost-effective, and affordable energy supply consistent with Section 377.601, Florida Statutes.

This preliminary carbon storage evaluation project is prudent for several reasons, including the Environmental Protection Agency’s (“EPA”) announced intent to impose greenhouse gas emissions limits on existing fossil fuel-fired electric generating units, the availability of financial support from the Department of Energy (“DOE”), and the availability of tax credits for future carbon capture that may be worth up to \$3 billion over the life of a future CCS project at Polk Unit 2. [Tr. 846-848; Tr. 954] Given the availability of these funds and incentives, the company believes

it would be imprudent *not to* evaluate the potential of carbon storage at Polk Unit 2 at this time. [Tr. 847-848; Tr. 947-948; Tr. 954]

The total estimated cost of the underground carbon storage evaluation project is \$126.5 million, of which \$98.4 million will be funded by the DOE, meaning Tampa Electric will be responsible for approximately \$28.1 million of the total cost. [Tr. 848] Of that amount, approximately \$18.2 million is capital included in the 2025 test year. [*Id.*]

No party presented testimony or evidence challenging the prudence of this CCS evaluation project. Sierra Club erroneously criticized the feasibility of installing CCS at Polk Unit 1 [Tr. 2520-2521], but the company is not seeking cost recovery for installation of CCS at Polk Unit 1 in this case. [Tr. 858, 861, 863] Although FR/L cross-examined Tampa Electric witness Kris Stryker regarding a preliminary internal estimate of the costs and benefits of installing and operating CCS equipment at Polk Unit 2 [Tr. 900-903; Ex. 678], these questions missed the mark – Tampa Electric has not requested cost recovery for carbon capture equipment in this case. [Tr. 953] The preliminary evaluation of the Polk Power Station site for underground carbon storage as described in this issue is a measured, reasonable, and prudent step to preserve the future viability of fossil fuel generation at Polk – especially while the DOE is paying 80 percent of the cost – and should be approved.

**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?

**TECO:** \*Yes. The company is exploring a long duration energy storage project and a microgrid project, both of which will likely be used in the future. The approximately \$7.1 million of costs associated with these projects are prudent because they will help the company better understand their possibilities and limitations before it is necessary to implement them on a larger scale; therefore, they should be included in test year rate base.\*

No party presented testimony or evidence challenging the prudence of these expenditures. The company’s proposal for two research and development (“R&D”) projects currently under



development are supported by the preponderance of the evidence and should be approved. [Tr. 849] One is a long duration energy storage project, and the other is a microgrid project, both of which are emerging technologies that will likely be used in the future as our grid evolves to enable higher levels of customer-owned distributed energy resources. [*Id.*] These investments are prudent because they will allow the company to better understand the capabilities and limitations of these technologies before deploying them on a larger scale. [*Id.*] A portion of the company's investment in these projects is also eligible for a tax credit. [Tr. 894] They are consistent with the state's energy policy set forth in Section 377.601, Florida Statutes, because they will encourage the research, development, and application of domestic energy resources, including renewable energy resources, and should be approved without adjustment

**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?

**TECO:** \*Yes. The company's proposed Customer Digitalization, Operational Efficiency, and Other Customer Programs are prudent and should be included in test year rate base. They will improve customer access to services, information, and support; allow the company to present energy management solutions to customers; and give customers more choice and flexibility in how they use electric services.\*

Tampa Electric has shown in the direct testimony of Tampa Electric witness Karen Sparkman that its Customer Experience rate base additions are reasonable and prudent, and that they benefit customers. [Tr. 437-448; Tr. 463-468] The intervenors did not present any evidence challenging the prudence of these expenditures or any specific customer experience capital project, and did not propose any adjustments in their testimony or positions in the prehearing order.

Ms. Sparkman testified that the company plans capital investments in 2025 to elevate service quality and customer satisfaction. [Tr. 463-464] These investments include programs in Customer Digitalization, Operational Efficiency, and Optional Customer Programs. [Tr. 464-466] Customer Digitalization projects include enhancements to the company's digital platforms – such

as the cloud-based outage map – to provide customers with a convenient and efficient way to access services. [Tr. 445, 464, 494-495] Enhancements to the company’s outage map will ensure a reliable map during periods of increased traffic such as storm events. [Tr. 445, 494] Operational Efficiency projects include using machine learning, advanced data analytics, and customer segmentation to improve customer service. [Tr. 464-465] Optional Customer Programs provide customers with more choice and flexibility in how they use the company’s services. [Tr. 465-466] These programs add value by catering to the diverse needs and preferences of Tampa Electric’s customers, enhancing efficiency, and promoting customer satisfaction. [Tr. 466]

Ms. Sparkman has shown that these projects are reasonable and prudent, and also essential for sustaining and enhancing the quality of service Tampa Electric’s customers receive. [Tr. 482] The Commission should find that the company’s proposed Customer Experience Enhancement Projects should be included in the 2025 projected test year without adjustment.

**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?

**TECO:** \*Yes. The company’s proposed expenditures for Information Technology (“IT”) capital projects are prudent and should be included in test year rate base. They will help create a modern, cloud-based IT Service platform, replace/upgrade end of life data center hardware and software, enhance cybersecurity, comply with NERC/CIP requirements, maintain the company’s Enterprise Resource Planning and Customer Systems platform, and improve other IT applications.\*

Tampa Electric has shown in the direct testimony of Tampa Electric witness Chris Heck that its IT rate base additions from 2022 to 2024 and its proposed 2025 IT capital projects additions are reasonable and prudent, and how they benefit customers. [Tr. 1317-1330] These projects include transitioning to cloud-based servers, upgrading the company’s SAP ERP system, enhancing data and cyber security, replacing end of life data center hardware, and NERC CIP enhancements. [*Id.*] The intervenors did not present evidence challenging the prudence of these

expenditures or any specific IT capital project, and did not propose any adjustments in their testimony or positions in the prehearing order. The Commission should find that the company's proposed IT capital projects should be included in the projected 2025 test year without adjustment.

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

**TECO:** \*Yes. The company's 488.7 MW of Future Solar Projects are prudent and should be included in 2025 rate base. The company's cost-effectiveness analyses for the projects are based on a reasonable fuel forecast and include reasonable sensitivities. The analyses show that the projects are cost-effective, will moderate fuel costs, and will benefit customers. FIPUG's proposed conditions are not reasonable or needed and should not be imposed by the Commission.\*

Tampa Electric's Future Solar Projects are prudent and cost-effective and should be included in rate base in the projected test year without adjustment. Sierra Club supports the Future Solar Projects, and the other intervenors except for FIPUG take no position or do not oppose the Future Solar Projects as long as they are cost effective.

The company's Future Solar plans are to add 488.7 MW of solar through the end of 2026. [Tr. 986-987] These projects align with Florida's policy to promote the development of renewable energy resources and fuel diversity and to improve environmental conditions. [Tr. 818] These projects will also improve the efficiency, sufficiency, and adequacy of the company's facilities and services. [Tr. 98] The Future Solar projects will be an efficient use of alternative energy resources that will further the goals in Section 366.91(1), Florida Statutes, by developing renewable energy resources in Florida. [Tr. 89]

Tampa Electric is proceeding with the projects now because they will provide fuel savings and are needed; because the company has developed the expertise to construct the projects safely

and efficiently; and because constructing the projects now will allow customers to benefit from Inflation Reduction Act (“IRA”) tax credits.<sup>9</sup> [Tr. 819-820]

Tampa Electric uses competitive bidding processes to complete solar projects, which ensures that Tampa Electric obtains the lowest cost resource that meets the company’s reliability and performance requirements. [Tr. 821] The company also contracts directly for major equipment to eliminate any potential contractor markups for that equipment. [*Id.*] These projects reflect the company’s cost-control success as the projected average solar project costs, excluding land, are eight percent lower than the National Renewable Energy Laboratory’s (“NREL”) September 2023 benchmark. [Tr. 838]

Tampa Electric performed and presented a comprehensive cost-effectiveness analysis for the Future Solar Projects by evaluating whether a resource plan with a proposed project would lower the company’s projected system cumulative present value revenue requirement (“CPVRR”) as compared to a plan without the project. [Tr. 969] This technique is widely used by electric utilities in the development of integrated resource plans to evaluate the prudence of adding a generation resource. [*Id.*] The primary assumptions for this analysis are the company’s Demand and Energy Forecast used to prepare the 2024 Ten-Year Site Plan, the fuel price forecast, and the projected revenue requirements of the Future Solar Projects. [Tr. 971] Evaluating cost-effectiveness is one of many ways the company promotes affordability.

The company’s analyses show that the Future Solar Projects are cost-effective in total, by year, and individually except for one project. [Tr. 988] Although English Creek Solar was not cost-effective on a stand-alone basis when the company performed its analysis for this case, it uses land

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<sup>9</sup> Although intervenors questioned whether the PTC would continue to be available in the future, there is no evidence showing or suggesting that the existing PTC will be repealed or will not be available for the Future Solar Projects. The Commission should make its decision based on the information available to it at this time, which is that the PTC will continue to be available.

purchased several years ago that would otherwise be property held for future use (“PHFFU”) and would likely be cost-effective if the company had updated its analysis to use the new, higher tax credit value and a more current fuel forecast. [Tr. 834; 996; 1053]

Tampa Electric’s cost-effectiveness analyses included sensitivities for high and low fuel costs, capital costs, and unit performance. [Tr. 993; Tr. 1005] The fuel price sensitivity analysis showed that the Future Solar Projects will result in \$428 million in savings in the high fuel cost scenario, and \$51 million in savings in the low fuel cost scenario. [Tr. 1006] The capital cost sensitivity showed that the projects remain cost-effective even if capital costs are 10 percent higher than projected. [*Id.*] The company also conducted a sensitivity analysis assuming that the units will achieve their full capacity in year one, which showed an increased fuel savings benefit of \$36.3 million. [Tr. 1007]

The Commission should reject FIPUG’s proposal to impose a cost cap for the Future Solar Projects. [Tr. 2764] A cost cap is not necessary because the company’s analyses demonstrate that the Future Solar Projects are cost-effective. [Tr. 855-856] Customers are protected without imposing a cost cap, because the company would need to seek cost recovery for any amount exceeding the current budgeted amounts in a future rate proceeding. [Tr. 855-856]

In addition, FIPUG’s proposed performance standard for Future Solar [Tr. 2764] is inappropriate and should not be approved. The main factor affecting solar unit capacity is solar irradiance, which is outside of the company’s control, and the test year revenue requirement assumes that the units will achieve the projected level of performance tax credits. [Tr. 856-857] Failure to achieve the projected level of unit performance would result in a higher than projected level of income tax expense in the test year, which would be borne by the company, which in turn creates a natural incentive for the company to maximize its solar performance. [Tr. 857]

FIPUG's suggestion that the fuel forecast used in the company's cost-effectiveness analysis is inflated has no merit. [Tr. 2764] Tampa Electric witness John Heisey testified that the company's forecast is reasonable, relies on widely recognized data sources, and is consistent with the Energy Information Administration Reference case forecast, which is acknowledged across the electric industry as a benchmark forecast. [Tr. 3137]

The company has shown by a preponderance of the evidence that its proposed Future Solar Projects are cost-effective, are consistent with the state's energy policy, and will benefit customers by moderating fuel expense; therefore, they should be approved.

**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?

**TECO:** \*Yes. These projects are prudent and should be included in test year rate base. Adding a dedicated grid communication network, intelligent field devices, and associated back-office control systems will enhance reliability by reducing the frequency, duration, and impact of outages; improve operational performance by enabling "self-healing" features to mitigate adverse grid events; provide more and better data for billing and planning purposes; and facilitate/manage the addition of more customer-owned, distributed generation on the company's system.\*

Tampa Electric's GRR Projects will further the state's policy of promoting cost-effective development and maintenance of energy infrastructure that is resilient to natural and manmade threats, as set out in Section 377.601, Florida Statutes, and should be approved without adjustment. The GRR Projects are components of a comprehensive "system of systems" that will allow the company to exchange electricity and information across the grid [Tr. 1118-1119], enhance automation, and "give the grid a brain." [Tr. 233]

The GRR projects will improve the efficiency, sufficiency, and adequacy of the company's facilities and services. [Tr. 98] These projects are necessary to replace obsolete systems and equipment; to meet customer demands for greater reliability and access to data; and to adapt to

two-way power flows from customer owned generation, which can cause negative customer impacts and reduce reliability if unmanaged and undetected. [Tr. 1120-1122]

The GRR projects will result in quantifiable benefits for customers, including enhanced reliability and avoided capital and O&M expense. [Tr. 1122] The GRR Projects will also facilitate new customer programs, better integrate customer-owned solar and electric vehicles with the grid, and lead to reduced energy losses. [Tr. 1220; 1122-1124] The GRR will enhance public safety by identifying “wire-down” situations faster and with more precision and enhance employee safety by identifying two-way power flows on circuits that presumably have been deenergized. [Tr. 233; 353; 1186; 1280-1281] The company plans to aggregate the GRR Projects, rather than complete them separately, because doing so results in more efficient capital spending, reduces overall costs, and facilitates greater integration of the program components. [Tr. 1118-1119]

The Grid Communication Network Project is a key part of the GRR. This project includes construction of a private cellular network that will replace the company’s existing radio-based SCADA system used to communicate with the company’s existing field devices. [Tr. 1221] This project will benefit customers by improving reliability, reducing long-term O&M costs, providing access to new data streams, and identifying Electric Vehicle chargers and two-way power flows. [Tr. 1224-1225] Tampa Electric hired Burns & McDonnell (“BMD”) to prepare a cost-benefit analysis for the project (which showed that the project has a four-to-five-year payback for Tampa Electric’s initial investment) and a scope of services that was later incorporated into a request for proposals for the project to ensure it is completed at the lowest reasonable cost. [Tr. 1223-1224] The company considered several alternatives but recognized that the Grid Communication Network Project was the optimal solution for the reasons explained in Tampa Electric witness David Lukcic’s direct testimony. [Tr. 1222-1223]

The Commission should disregard the testimony of intervenor witnesses regarding the GRR Projects. OPC did not challenge the prudence of the GRR Projects, but instead argued that the costs of the GRR Projects should not be recovered through a SYA [Tr. 2372, 2377, 1257-1258], which is addressed under Issue 96. FR/L characterized the projects as “unnecessary gold plating” [Tr. 2612], which is inaccurate because the GRR projects are necessary for the reasons explained above and in the direct testimonies of Tampa Electric witnesses Chip Whitworth and David Lukcic. [Tr. 1272-1273] FR/L’s view that the Grid Communication Network is “destined for quick obsolescence” [Tr. 2612] has no merit because the project was designed with future standards and requirements in mind, is reasonably expected to have an estimated useful life of 20 years and is designed to accommodate future standards. [Tr. 1273-1274] The company’s proposed GRR projects should be included in the 2025 test year without adjustment.

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

**TECO:** \*Yes. The company’s 115 MW of Future Energy Storage Capacity projects are prudent and should be included in test year rate base. They are cost-effective plant additions needed to maintain the company’s required winter capacity reserve margin and to avoid the costs of certain transmission upgrades.\*

Tampa Electric’s proposed Energy Storage projects are part of Tampa Electric’s ongoing efforts to improve the efficiency, sufficiency, and adequacy of its facilities. [Tr. 840; 98] These projects will further the state’s policy goals of ensuring a cost-effective, affordable, secure, resilient, and reliable energy supply set out in Section 377.601, Florida Statutes, and no party presented testimony or evidence challenging their prudence. The projects are needed to maintain the company’s required winter capacity reserve margin as peak load grows and to provide fuel savings by storing lower cost off-peak generation and delivering it during demand peaks. [Tr. 996]



The Lake Mabel energy project has the added benefit of eliminating an otherwise necessary transmission upgrade. [Tr. 841]

Tampa Electric used a competitive bidding process and entered into contracts for the major equipment, engineering, and construction services for all four projects. [Tr. 842-843] Tampa Electric's average projected installed cost for these projects is eight percent lower than NREL's Annual Technology Baseline benchmark cost for energy storage, which further demonstrates its cost-control efforts. [Tr. 844]

Tampa Electric performed a comprehensive cost-effectiveness analysis for its Energy Storage Projects which used the same methodology and assumptions as the analysis for the Future Solar Projects described under Issue 20. This analysis shows that the Future Energy Storage projects are cost-effective in total and by project, and that the projects will result in \$151.2 million in CPVRR savings, not including any value for reduced emissions. [Tr. 983-984] The company also performed fuel price sensitivities for the Energy Storage Projects, and these results show that customer savings occur under all fuel price forecast scenarios. [Tr. 984]

The Sierra Club supported the company's proposed energy storage program and none of the other intervenors opposed them as long as they are cost-effective. It is undisputed in the record that the company's Energy Storage Projects are cost-effective and will provide fuel savings to customers; therefore, the Commission should include the projects in rate base for the 2025 test year without adjustment.

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

**TECO:** \*Yes. This project is prudent and should be included in test year rate base. The company's lease for TECO Plaza is expiring and the cumulative net present value revenue requirement ("NPVRR") of moving to the new building was about the same as other options. The new building location is not subject to flooding, has better parking, is safer for employees and the public, and has space to grow that is not available in TECO Plaza.\*

Tampa Electric's proposed Corporate Headquarters project is prudent and should be included in the 2025 projected test year without adjustment. The project is part of Tampa Electric's continuing effort to improve the efficiency, sufficiency, and adequacy of its facilities. [Tr. 672-673, 688-689] The company performed a comprehensive analysis to determine the best option for the company's future headquarters needs. This analysis, which is described in the direct testimony of Tampa Electric witness Carlos Aldazabal, included a NPVRR analysis which demonstrated that the Midtown headquarters, remaining in and renovating TECO Plaza, and purchasing TECO Plaza would be nearly equivalent in terms of cost over the next 30 years. [Tr. 670-675; Ex. 18, MPN C3-231]

The company identified qualitative benefits associated with the new location, including accumulation of equity; storm resilience and mitigation of flood risk; employee retention; and flexibility. [Tr. 674; 690] Tampa Electric concluded that the qualitative benefits of the Midtown location outweighed the estimated \$1 million difference in cost. [Tr. 690]

Tampa Electric's Corporate Headquarters project will benefit customers by providing the benefits listed above and described in further detail in Mr. Aldazabal's direct testimony. [Tr. 672] Tampa Electric took several steps to ensure that it was obtaining the lowest reasonable cost for the design and construction of the corporate headquarters project. [Tr. 674-675] This included using a request for information process to select an architect and a competitive selection process to identify the contractor for construction of the project. [*Id.*]

FR/L's claim that the company did not perform a comprehensive cost-benefit analysis including alternatives to the Corporate Headquarters Project is inaccurate. The company not only did such an analysis, but Mr. Aldazabal described it in his direct testimony and included it as an exhibit to his testimony. [Tr. 673-674; 688-689; Ex. 18, MPN C3-231] Any claim by intervenors

that the company's site selection decision was made solely or primarily on a scorecard prepared by a group of director-level employees is false. The company's senior leadership team considered the scorecard [Tr. 690; Ex. 18, MPN C3-230], but made the final decision based on the scorecard, concerns about potential flooding, and other qualitative factors. [Tr. 689-690; 805-806]

**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?

**TECO:** \*Yes. This project consists of four reciprocating internal combustion engines located on land leased at no cost to Tampa Electric from MacDill Air Force Base and is prudent. The project will be a system asset during normal operations, provides quick start capability, supports the company's winter reserve margin, is cost-effective, and is expected to generate fuel savings of \$137.9 million. The generators will only be isolated to serve MacDill during rare national emergencies.\*

Tampa Electric's proposed South Tampa Resilience Project ("STRP") is cost-effective, prudent, and should be included in the 2025 test year without adjustment. The project will improve the efficiency, sufficiency, and adequacy of the company's facilities and services. [Tr. 98] It will also further the state's policy goals of ensuring a cost-effective, affordable, secure, resilient, and reliable energy supply and protecting public safety as set out in Section 377.601, Florida Statutes.

The project consists of four RICE units with a total capacity of 75 megawatts. [Tr. 654-655] These four RICE units are needed because they provide a quick-start generation resource that gives the company flexibility to manage resources, provide additional resilience in the middle of a dense load center, and alleviate transmission constraints in the area. [Tr. 655-656] The project also strengthens the company's reserve margins and can be dispatched instead of larger combustion turbines, which will result in estimated fuel savings of \$137.9 million. [Tr. 657]

Tampa Electric followed prudent procurement practices for the project, including competitively bidding major contracts and staffing the project with skilled management, engineering, and construction staff. [Tr. 656-657] MacDill Air Force Base provided access to the

project site at zero cost in exchange for the added level of resilience that the project provides. [Tr. 974] This means that in circumstances where there is a “validated threat” to the base, the company can “island” a portion of the STRP generation capacity to directly serve the base. [Tr. 655] These events are extremely rare. The last time the base experienced a “validated threat” was following the September 11, 2001 attacks. [Tr. 748] In the absence of such a validated threat, the project will operate as a system resource that serves all Tampa Electric customers. [Tr. 807]

Tampa Electric performed a comprehensive cost-effectiveness analysis for the STRP, which used the same methodology and assumptions as the analysis for the Future Solar Projects described under Issue 20. This analysis showed that the STRP will result in \$10 million in CPVRR savings as compared to the base case. [Tr. 978]

Although OPC and others claim that the federal government should have made a cash contribution to the project (as opposed to its in-kind provision of land) [Tr. 1024], no party presented testimony or evidence challenging the prudence of the STRP.<sup>10</sup> Given that the undisputed evidence in the record demonstrates that the Project is cost-effective and will provide fuel savings and other reliability benefits to customers, the Commission should include the project in the 2025 test year.

**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?

**TECO:** \*Yes. The Bearss Operations Center is a modern, storm hardened, secure operations center that will replace the company’s current energy control center (“ECC”) and IT functions at the Ybor Data Center. Unlike these existing structures, the new facility is designed to withstand major hurricanes, protect the company’s cyber assets, and operate utility command and control functions for the next 40 years. The project is prudent and should be included in test year rate base.\*

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<sup>10</sup> OPC’s argument about MacDill contributing land instead of cash amounts to an argument that the company may have been able to make a different deal, not that the deal Tampa Electric made was bad, and ignores the fact that finding other land to build generating facilities in South Tampa would be very expensive and perhaps impossible. [Tr. 1081]

The Bearss Operations Center will be a modern, storm-hardened operations center that will replace the company's existing ECC and IT functions at the Ybor Data Center. [Tr. 658] This project will improve the efficiency, sufficiency, and adequacy of the company's facilities. [Tr. 98] It will also further the state's public policy goals of ensuring a secure, resilient, and reliable energy supply, protecting public safety, and promoting development of energy infrastructure that is resilient to natural and manmade threats to the security and reliability of the state's energy supply as set out in Section 377.601, Florida Statutes.

The facility is being designed to withstand major hurricanes, protect all company cyber assets, operate the company's command and control capabilities for the next 40 years, and accommodate future reliability requirements and grid decentralization. [Tr. 659] The company's existing ECC and Ybor Data Center were constructed in the 1980s under building codes in effect at that time, and neither building is hardened to withstand a major hurricane. [Tr. 659-660] The existing ECC is also at maximum capacity, with limited space to expand to meet customer growth and emerging business requirements. [Tr. 661]

The new operations center is part of Tampa Electric's continuing effort to improve the efficiency, resiliency, and reliability of its facilities. [Tr. 668-669] The project will benefit customers by allowing the company to respond more quickly to customer outages during extreme weather, to implement new technologies that will improve reliability, and to attract and retain the best and brightest employees to implement, operate, and maintain these new technologies. [Tr. 668-669] The company used a systematic approach to determine the best option to address its storm resilience, space, and operational needs, and to award contracts for design and construction of the new operations center. This process is described in the direct testimony of Mr. Aldazabal. [Tr. 662-665]

No party presented testimony or evidence challenging the prudence of the Bearss Operations Center. Given that the undisputed evidence in the record demonstrates that the Bearss Operations Center will provide enhanced reliability, resiliency, and functionality as compared to the existing ECC and Ybor Data Center, the Commission should include the project in the 2025 test year without adjustment.

**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?

**TECO:** \*Yes. This Project will convert Polk Unit 1 into a highly efficient simple cycle unit, is prudent, and should be included in test year rate base. The Project will increase the unit's flexibility, allow faster start times, increase ramp rates, and reduce turndowns; and will generate an estimated \$40 million of fuel cost benefits and a CPVRR benefit of \$166.9 million. Sierra Club's proposal to retire Polk Unit 1 early should be rejected.\*

The Polk 1 Flexibility Project consists of converting the company's existing Polk 1 combined cycle unit into a highly efficient simple cycle unit. [Tr. 652] This project will continue to improve the efficiency, sufficiency, and adequacy of the company's facilities and services. [Tr. 98] It will also promote the state's goals in Section 377.601, Florida Statutes, of ensuring a cost-effective, affordable, resilient, and reliable energy supply.

Converting Polk Unit 1 to simple cycle operation will result in lower costs, greater efficiency, and will allow the unit to follow system loads more quickly. [Tr. 653] Tampa Electric performed a comprehensive cost-effectiveness analysis for the Polk 1 Flexibility Project, which used the same methodology and assumptions as the analysis for the Future Solar Projects described under Issue 20. This analysis showed that the Polk 1 Flexibility Project will provide estimated CPVRR savings of \$166.9 million compared to maintaining the current configuration. [Tr. 654; Tr. 973] These benefits will stem from longer maintenance cycles, improved reliability, and increased unit flexibility associated with the simple cycle configuration as well as an improved

heat rate. [Tr. 654] The company conducted high and low fuel price forecast sensitivity analyses, which showed that the project will result in savings under all fuel price sensitivities. [Tr. 974]

Sierra Club witness Devi Glick's assertion that this project is uneconomic is not supported by the record. While Ms. Glick calculated a negative CPVRR for the project, Tampa Electric witness Mr. Aponte was unable to recreate her calculations. [Tr. 1012-1013] Furthermore, a negative CPVRR actually indicates that the project will result in cost savings to customers. [*Id.*] As a result, the Commission should disregard Ms. Glick's testimony and find that the Polk 1 Flexibility project should be approved without adjustment.

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

**TECO:** \*The Commission should approve Jurisdictional Adjusted Plant in Service totaling \$13.4 billion as shown on MFR Schedule B-1, adjusted by the company's July and August Filings. OPC's proposed adjustment for distribution feeders should be rejected.\*

The company's position as filed is supported by MFR schedule B-1 and the updated balance after the company's July and August filings is approximately the same. [Ex. 4, MPN J29; Ex. 217; Ex. 835] The Commission should reject OPC's proposed disallowance of \$356,000 of Distribution Feeder Hardening costs. These costs are cost of removal net of salvage associated with the assets in the Storm Protection Plan ("SPP") Feeder Hardening Program that are retired and replaced through the SPP cost recovery clause in Plant in Service and were included for recovery through base rates consistent with the logic underlying the company's 2020 SPP Settlement Agreement. [Tr. 1156; Ex. 145, MPN D4-337 to D4-372]

The company proposes to continue this approach for the cost of removal for Feeder hardening because it makes sense, not just because it was in the 2020 Settlement Agreement. The Commission should reject any change to the existing methodology because this approach recognizes that the depreciation expense for the removed assets incorporated the recovery of the

cost of removal through base rates in prior years. [Tr. 3443] Properly charging cost of removal to the depreciation reserve allows for the continued analysis of net book value, cost of removal, depreciation expense, and accumulated reserves in the company's periodic depreciation studies. [Id.] Furthermore, recording cost of removal to the SPP cost recovery clause would inappropriately allow the company to recover a return on investment on those costs through the SPP clause. [Id.]

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

**TECO:** \*The Commission should approve Jurisdictional Adjusted Accumulated Depreciation and Amortization totaling approximately \$4.0 billion as shown on MFR Schedule B-1, adjusted for the company's July and August filings.\*

This is a fall out issue that depends on the Commission's decisions on other issues. The company's position as filed is supported by MFR schedule B-1 and the updated balance after the company's July and August filings is approximately the same. [Ex. 4, MPN J29; Ex. 217; Ex. 835]

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

**TECO:** \*The Commission should approve Jurisdictional Adjusted Construction Work In Progress ("CWIP") totaling \$230.2 million as shown on MFR Schedule B-1.\*

The company's proposed amount of CWIP is shown on MFR Schedule B-1, was developed using the company's budgeting process, and is a reasonable and prudent amount of CWIP for the test year. [Tr. 3383-3384; Ex. 4, MPN J29] FR/L's position that no CWIP should be included in rate base is contrary to longstanding Commission practice and is unreasonable on its face. OPC's position that GRR-related CWIP should not be included in test year CWIP should be rejected because, as discussed under Issue 19, the company's GRR projects are reasonable and prudent and will benefit customers.



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

**TECO:** \*The Commission should approve Jurisdictional Adjusted Property Held for Future Use totaling \$68.0 million as shown on MFR Schedule B-1.\*

The company's proposed level of PHFFU for the 2025 test year is supported by MFR Schedules B-1 and B-15, which shows the details of the proposed balance. [Ex. 4, MPN J29; J183] No party proposed an adjustment to this balance in its pre-filed testimony. The company's projected 2025 PHFFU balance is part of the company's total rate base amount which is reasonable and prudent. [Tr. 3378]

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

**TECO:** \*The amount of unfunded OPEB liability that should be included in rate base is the 13-month average of \$70,740,641. This equals the credit amount in account 228.3232, FAS 106 Liability – Retired – Non-Current. The sum of the balances in accounts 228.3231 and 242.0131 (FAS 158 credits), when added to debit balances in account 182.3200 (Regulatory Asset) offsetting the FAS 158 balances, equal zero. There are no associated expenses included in rate base.\*

The company's position is supported in the record by Mr. Chronister. [Tr. 3439] OPC's proposal to adjust rate base for undercapitalization of OPEB expense should be rejected, because as shown under Issue 54, the company has not undercapitalized OPEB expense.

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

**TECO:** \*The Commission should approve fuel inventory for the projected 2025 test year totaling \$36.6 million as shown on MFR Schedule B-17. FR/L's position that the company should not be using coal or be allowed to recover fuel inventory ignores the important reliability and other benefits of coal-fired generation at Big Bend Unit 4 and should be rejected.\*

Tampa Electric presented the projected fuel inventory for the 2025 test year in MFR schedule B-18, which was sponsored by Mr. Aldazabal and Mr. Chronister. [Tr. 3385-3386; Ex. 18, MPN C3-222; Ex. 4, MPN J188 to J192] The company's proposed level of coal inventory is

below the Commission's 60-day burn target and its oil inventory is the same level approved in the company's last rate case and is reasonable. [Tr. 3385-3386] FR/L's position that the company should not include fuel inventory in rate base because it should not be burning coal or oil for generation is contrary to Florida's recently revised energy policy. It is also contrary to the overwhelming evidence in this case that maintaining coal-fired generation and oil-back up are important for reliability and resilience reasons. The need for coal and oil-fired generation is more fully discussed under Issues 24, 43, and 44.

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

**TECO:** \*The Commission should approve a Jurisdictional Working Capital Allowance totaling \$83.3 million as shown on MFR Schedule B-1 as adjusted by its August 22, 2024 filing. OPC's proposed adjustment to remove four MVA transformers from inventory should be rejected, because those transformers are needed for reliability and resilience.\*

The amount in the company's position is supported by MFR Schedule B-1 [Ex. 4, MPN J29] and adjusted by its August filing. [Ex. 835] As noted by Mr. Whitworth in his rebuttal testimony, OPC's proposal to remove four MVA transformers from working capital should be rejected, because they are needed for reliability and resilience. [Tr. 1148-1153] FR/L's position that working capital should be adjusted to remove unamortized rate case expense has no merit, because the company did not include unamortized rate case expense in working capital when it filed this case. [Tr. 3387] The company's position on this issue is supported by MFR Schedules B-1, B-2, B-17, and B-18 [Ex. 4, MPN J29; J185 to J187; J188 to J192], and the Chronister II direct testimony [Tr. 3384-3387]; however, the company's proposed amount should be adjusted to reflect Commission decisions on other working capital issues.

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

**TECO:** \*The Commission should approve projected 13-month average rate base for 2025 of \$9.8 billion as shown on MFR Schedule B-1, less \$6,889,111 per the company's July and August Filings for a total of \$9,791,261,229.\*

This is a fall out issue that depends on the Commission's decisions on other issues. The company's position as filed is supported by MFR Schedule B-1. [Ex. 4, MPN J29] The updated balance after the company's July and August filings is \$9,791,261,229. [Ex. 217; Ex. 835]

### **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?

**TECO:** \*The Commission should approve Jurisdictional Adjusted Accumulated Deferred Income Taxes of \$980.2 million as shown on MFR Schedule D-1a.\*

This issue appears to be uncontested. The company's as-filed position of \$980.9 million is supported by MFR Schedule D-1a [Ex. 6, MPN J378] and the direct testimony of Mr. Chronister [Tr. 3349-3350]; however, the revised number after the company's August Filing is \$980.2 million, which is slightly lower due to the required pro-rata reconciliation of the capital structure to rate base.

**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?

**TECO:** \*The Commission should approve Jurisdictional Adjusted Tax Credits in the amount of \$211.5 million and a cost rate of 8.26 percent as shown on MFR Schedule D-1a. The company acknowledges the fact that the unamortized investment tax credit would have been adjusted as a result of the July and August Filings. However, this change would not materially impact the overall weighted average cost of capital ("WACC") rate and thus the investment tax credit cost rate.\*

The company's as-filed amount of \$211.7 million is supported by MFR Schedule D-1a [Ex. 6, MPN J378] and the direct testimony of Mr. Chronister [Tr. 3350]; however, the revised amount after the company's August Filing should be \$211.5 million, which is slightly lower due to the required pro-rata reconciliation of the capital structure to rate base. This amount may need to be

updated to reflect the Commission's decisions on the depreciable life of assets that earn ITC (Issues 7 and 10) and whether the company should opt out of normalization for ITC on energy storage devices (Issue 65). The Commission should reject OPC's proposal to apply a zero cost to the deferred ITC associated with energy storage devices for the reasons explained in the rebuttal testimony of Ms. Strickland. [Tr. 3217]

**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?

**TECO:** \*The Commission should approve Jurisdictional Adjusted Customer Deposits of \$99.1 million and a cost rate of 2.41 percent as shown on MFR Schedule D-1a.\*

This issue appears to be uncontested. The company's as-filed position of \$99.2 million is supported in the direct testimony of Mr. Chronister [Tr. 3347-3348] and MFR Schedule D-1a [Ex. 6, MPN J378]; however, the revised number after the company's August Filing is \$99.1 million, which is slightly lower due to the required pro-rata reconciliation of the capital structure to rate base.

**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?

**TECO:** \*The Commission should approve Jurisdictional Adjusted Short-Term Debt of \$376.4 million and a cost rate of 3.90 percent as shown on MFR Schedule D-1a.\*

This issue appears to be uncontested. The company's as-filed position of \$376.6 million is supported in the direct testimony of Mr. Chronister [Tr. 3345-3347] and MFR Schedule D-1a [Ex. 6, MPN J378]; however, the revised number after the company's August Filing is \$376.4 million, which is slightly lower due to the required pro-rata reconciliation of the capital structure to rate base.

**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?

**TECO:** \*The Commission should approve Jurisdictional Adjusted Long-Term Debt of \$3.534 billion and a cost rate of 4.53 percent as shown on MFR Schedule D-1a.\*

The company's as-filed position on this issue of \$3.536 billion is supported in the direct testimony of Mr. Chronister [Tr. 3344] and MFR Schedule D-1a and D-4a. [Ex. 6, MPN J378; J386] However, the revised number after the company's August Filing is \$3.534 billion, which is slightly lower due to the required pro-rata reconciliation of the capital structure to rate base. Only FR/L and FEA take an opposing position, and their positions reflect their view on Issue 38 (equity ratio). The Commission should adopt the company's position on Issue 38 (and reject the positions of FEA and FR/L) for the reasons shown under Issue 38.

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

**TECO:** \*The Commission should approve the company's proposed 54 percent equity ratio (investor sources), which will allow the company to maintain its financial integrity, attract capital on reasonable terms and conditions, and ensure uninterrupted access to capital markets to finance infrastructure improvements and manage unforeseen events. The equity ratios advocated by FEA and FR/L are too low, would be perceived by credit-rating agencies as credit-negative, and should be rejected.\*

The company's position on this issue is supported in the direct [Tr. 3341-3344] and rebuttal [Tr. 3480-3482] testimony of Mr. Chronister. The company's proposed 54 percent equity ratio is reasonable and prudent and needed to support the company's financial integrity as measured by cash flows and financial leverage. [Tr. 3342] It reflects a level of equity that supports the ability of the company to maintain access to capital on reasonable terms in light of the uncertainties the company faces (e.g., unpredictable events like major storms) – even in times of adverse capital market conditions. [Tr. 3343] Credit rating agencies would react negatively to a reduction of the company's equity ratio as proposed by FEA and FR/L because their proposals deviate from equity

ratios approved by the FPSC for other Florida Investor-Owned Utilities and would be lower than the equity ratio approved for Tampa Electric for the last 11 years. [Tr. 3481] As noted by Tampa Electric witness Dylan D'Ascendis, the company's proposed equity ratio reflects how the company is actually being financed [Tr. 1923-1925] and if the Commission authorizes a capital structure that understates Tampa Electric's equity ratio, it will ultimately disadvantage customers and shareholders. [Tr. 2000]

**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?

**TECO:** \*The Commission should approve a mid-point return on equity of 11.5 percent with an allowed range of earnings of plus or minus 100 basis points. The ROEs proposed by the intervenors are too low, do not reflect a reasonable return, are not prudent, and should be rejected.\*

The *Hope* and *Bluefield* U.S. Supreme Court cases established that a fair ROE must be (1) commensurate with returns available on investments having comparable risks, (2) sufficient to assure financial soundness and integrity and support reasonable credit quality, and (3) adequate to allow a company to raise capital on reasonable terms.<sup>11</sup> As explained by the Commission:

[n]either case law nor statute mandates the awarded ROE be tied to the result of a particular financial model. Instead, the Commission will establish a reasonable ROE that is consistent with *Hope* and *Bluefield* and supported by competent, substantial evidence in the record. The Commission has a long history of establishing an ROE midpoint and a range of 100 basis points on either side to create a range of reasonableness and ensure rate stability.<sup>12</sup>

Here, the competent, substantial evidence in the record supports an ROE of 11.5 percent, with a range of 100 basis points on either side. Tampa Electric presented testimony and analysis

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<sup>11</sup> *Bluefield Waterworks and Improvement Co. v. Public Service Comm'n*, 262 U.S. 679, 692 (1923) (*Bluefield*) and *Federal Power Comm'n v. Hope Natural Gas Co.*, 320 U.S. 591, 603 (1944) (*Hope*).

<sup>12</sup> *Order Granting in Part and Denying in Part Florida City Gas' Petition for Certain Rate Increases*, Order No. PSC-2023-0177-FOF-GU, issued June 9, 2023, in Docket No. 20220069-GU, at 40.

from Mr. D’Ascendis supporting this ROE. Mr. D’Ascendis prepared a recommended ROE based on the application of several cost of common equity models.<sup>13</sup> Because Tampa Electric is not publicly traded, Mr. D’Ascendis developed a group of 14 comparable publicly traded companies to serve as “proxies” for Tampa Electric. [Tr. 1823-1825] Mr. D’Ascendis then applied the cost of common equity models to the proxy companies to derive a recommended ROE for the company. [Tr. 1812] Mr. D’Ascendis then adjusted this indicative range to reflect the effect of flotation costs as well as the company’s somewhat stronger credit rating as compared to the proxy group. [Tr. 1812-1813] Mr. D’Ascendis also considered the increased risk given the company’s smaller size and compact service area in his analysis. [Tr. 1880-1882, 1885] Based on this adjusted range, Mr. D’Ascendis recommended the Commission adopt an ROE midpoint of 11.5 percent for Tampa Electric. [Tr. 1813] Mr. D’Ascendis later updated this analysis based on the most current data available at the time he filed rebuttal testimony and, based on the updated analysis, maintained his initial recommendation of 11.5 percent. [Tr. 1905, 1907-1908; Ex. 148, MPN D10-666 to D10-716] OPC’s recommended ROE of 9.50 and FEA’s recommended ROE of 9.60 percent are inadequate at this time.<sup>14</sup> [Tr. 1905]

Mr. D’Ascendis explains in detail several reasons why Intervenors’ ROE analyses are flawed, biased, and should be rejected. [Tr. 1904-2037] First, both OPC and FEA rely on model inputs that are inappropriate and bias the recommended ROEs downward. [Tr. 1905] Second, the Intervenors’ recommended ROEs are particularly unreasonable when viewed in the context of (1) the capital market environment and the upward impact on capital costs [Tr. 1919-1921]; and (2) their over reliance on historically authorized ROEs. [Tr. 1910-1918]

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<sup>13</sup> These include the Discounted Cash Flow (“DCF”) model, the Risk Premium Model (“RPM”), and the Capital Asset Pricing Model (“CAPM”). [Tr. 1812]

<sup>14</sup> The ROE witnesses for FRF, FIPUG, and FL Rising/LULAC do not conduct independent analysis of Tampa Electric’s ROE, but generally recommend ROEs similar to those authorized in other rate proceedings. [Tr. 2035]

Third, Mr. D'Ascendis highlighted that both OPC and FEA rely on "sustainable" growth rates as a proxy for the long-term growth rate in their DCF models [Tr. 2848, 2948], which is inappropriate and serves to bias the ROE recommendations downward. [Tr. 1905, 1946-1950] In part, its use as a measure of long-term growth is concerning because the sustainable growth rate assumes increasing retention ratios necessarily are associated with increasing future growth. [Tr. 1949] Mr. D'Ascendis performed an analysis to determine whether the data empirically supports this assumption. [Tr. 1950-1951] The findings showed there was a significant negative relationship between the five-year average earnings growth rate and the earnings retention ratio, calling into question the use of the sustainable growth rate. [Tr. 1951, 2004; Ex. 148, MPN D10-721] Mr. D'Ascendis also performed additional analyses to demonstrate that the appropriate growth rate for use in the DCF model is the projected EPS growth rate. [Tr. 1953-1954; Ex. 148, MPN D10-722 to D10-724] Accordingly, the Commission should rely solely on the projected EPS growth rates when determining the indicated ROE for Tampa Electric using the DCF model. [Tr. 1954]

Fourth, Mr. D'Ascendis provided corrections to OPC's DCF analysis to consider the variability in the DCF result of the proxy companies. [Tr. 1954-1955; Ex. 148, MPN D10-725] Doing so shows that the individual proxy company DCF results are not necessarily clustered around a central point. [Tr. 1955] OPC's witness, Dr. J. Randall Woolridge, obscures this finding by relying on the average of each input. [*Id.*]

Fifth, Mr. D'Ascendis explained that Dr. Woolridge's application of the CAPM contained the following inadequacies: (1) the use of market risk premiums ("MRPs") based on academic and professional studies which understate the required return on the market and (2) not employing the empirical CAPM ("ECAPM"). [Tr. 1955-1975] The record evidence demonstrates the use of MRPs are not applicable for cost of capital purposes, that Mr. D'Ascendis provided validation for



the ECAPM in this direct testimony which Dr. Woolridge did not address, and the use of adjusted betas in a CAPM analysis does not address empirical issues with the CAPM. [*Id.*] Given this evidence, the Commission should reject Dr. Woolridge’s CAPM. [Tr. 1975]

Sixth, Mr. D’Ascendis explained that the CAPM methodology provided by Mr. Walters is flawed in at least the following five ways: (1) while Mr. Walters does use a short term projected risk-free rate in his CAPM analysis, he does not consider the long-term projection of the risk free rate published by Blue Chip; (2) he relies, in part, on Vasicek betas; (3) he relies, in part, on historical betas; (4) his choice and calculation of his MRPs are flawed; and (5) he did not perform an ECAPM analysis. [Tr. 2020-2029] Mr. D’Ascendis provides a corrected CAPM analysis that shows what the results of Mr. Walters’ CAPM analysis would be had he relied on proper inputs. [Tr. 2029; Ex. 148, MPN D10-742] The corrections made by Mr. D’Ascendis result in a CAPM estimate of 15.91 percent and an ECAPM estimate of 16.16 percent, which is somewhat above Mr. D’Ascendis’ CAPM results and his analytical results. [Tr. 2029]

Seventh, Mr. Walters erroneously omits flotation costs in this recommended ROE, stating that he is unaware of the Commission allowing the recovery of flotation costs in the allowed ROE. [Tr. 2989] However, in approving Mr. D’Ascendis’ proposed flotation cost adjustment in the 2023 Peoples Gas System, Inc. rate case, the Commission noted that it has traditionally recognized a “reasonable adjustment for flotation costs in determination of the investor required return.”<sup>15</sup> The evidence shows that because wholly owned subsidiaries such as Tampa Electric receive capital from their parents and provide returns on the capital that roll up to the parent, denying recovery of issuance costs would penalize the investors that fund the utility operation. [Tr. 1976; Ex. 148, MPN

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<sup>15</sup> *Order Granting in Part and Denying in Part Peoples Gas System, Inc.’s Petition for a Rate Increase*, Order No. PSC-2023-0388-FOF-GU, issued December 27, 2023, in Docket No. 20230023-GU, at 68.

D10-727] Based on the evidence in the record, the Commission should continue to include flotation costs in the allowed ROE.

Eighth, the Intervenor's erroneously over-emphasized the relevance of historical ROEs for other utilities in other states as a good measure of prospective ROEs in both cross-examination and testimony. During cross-examination of Mr. D'Ascendis, OPC sought to demonstrate that approved ROEs from other states awarded at different points of time are relevant to the Commission's decision on ROE in this proceeding. [Tr. 2056-2061; Ex. 321, MPN F2.1-6124 to F2.1-6130] While historical authorized ROEs may be reasonable benchmarks of acceptable ROEs, they simply do not reflect the current cost of common equity because the economic conditions in the past are not representative of economic conditions now. [Tr. 1911-1912]

The Commission has recognized that "[u]nder the *Hope* and *Bluefield* decisions, the U.S. Supreme Court established that a fair rate of return should be commensurate with the returns on investments in other enterprises having corresponding risks. . . ."<sup>16</sup> The Commission satisfies this requirement by primarily examining the sophisticated financial models that use a proxy group of utilities. Accordingly, the Commission should give Exhibit 321 little weight because the intervenors presented no evidence that the utilities listed within the exhibit (which vary in size, geography, etc.) are "enterprises having corresponding risks" to Tampa Electric. For these reasons, the Commission should not rely on historically authorized ROEs in setting the ROE for Tampa Electric in this proceeding and instead should focus on the market analysis put forth by each expert in their respective testimonies. [Tr. 1918]

Finally, the Commission should give little or no weight to OPC's cross-examination of Mr. D'Ascendis about his participation in Kentucky Public Service Commission Case No. 2021-00185

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<sup>16</sup> *Order Granting in Part and Denying in Part Peoples Gas System, Inc.'s Petition for a Rate Increase*, Order No. PSC-2023-0388-FOF-GU, issued December 27, 2023, in Docket No. 20230023-GU, at 58.

[Tr. 2071-2072] and an order entered on August 6, 2021 (“August 2021 Order”). [Tr. 2062, 2120; Ex. 839] The August 2021 Order addressed the utility’s motion for extension of time to submit responses to certain data requests after the utility’s ROE witness Paul Moul was in a serious bicycle accident. [Ex. 839] Among other things, the August 2021 Order acknowledged that “Dylan D’Ascendis . . . adopted Mr. Moul’s testimony” and would be responding to data requests on behalf of Mr. Moul. [*Id.*] When asked by OPC at hearing whether he “adopt[ed] Mr. Moul’s testimony in a Kentucky rate case,” Mr. D’Ascendis stated:

He was -- he was in a coma, and the company reached out for me to do -- what was it? It was discovery responses. So, no, I didn't -- I didn't adopt his testimony. I didn't defend it in the case. I, I -- while he was in the hospital recovering, I was -- I did the right thing to do and, and, and do responses to discovery for somebody, for a client that I -- that we share.

[Tr. 2062]

On redirect, the company demonstrated that Mr. D’Ascendis’ only real role in the case was to respond to discovery, which is consistent with Mr. D’Ascendis’ testimony at the final hearing in this docket, and that he did not have any involvement beyond sponsoring the data request responses through a Notice of Witness Re-substitution (“Notice”) submitted in the Kentucky case. [Tr. 2116-2118; Ex. 840] The Notice, dated September 20, 2021, established that Mr. Moul (a) was able to “resume his role” as the ROE expert; (b) readopted his testimony; and (c) adopted the data responses sponsored by Mr. D’Ascendis. [*Id.*] Additionally, Tampa Electric showed through a subsequent order of the Kentucky Public Service Commission that Mr. Moul was permitted to appear and testify virtually at the rate case hearing. [Tr. 2118; Ex. 841] Thus, any apparent “inconsistency” between the August 2021 Order and Mr. D’Ascendis’ statement on the adoption of testimony was resolved by the subsequent filings in the same Kentucky rate case. The record

fairly shows that Mr. D'Ascendis' statement was an understandable misunderstanding that was clarified at the hearing, not an intentional misrepresentation.

For these reasons, the Commission should reject the Intervenor's arguments to lower the ROE it approves for Tampa Electric below that recommended by Mr. D'Ascendis.<sup>17</sup> While no intervenor supports a ROE above 9.78 percent, the intervenor individual model results indicate higher ROEs than they recommend. [Tr. 2114] Mr. D'Ascendis' recommended ROE of 11.50 percent for Tampa Electric reflects the unique risks associated with its dense service territory and will provide it with sufficient earnings opportunity to enable the company to attract necessary new capital efficiently at a reasonable cost for the benefit of customers.

**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?

**TECO:** \*The Commission should approve the Jurisdictional Capital Structure totaling \$9.791 billion and a WACC of 7.37 percent as shown on MFR Schedule D-1a.\*

The company's as-filed position on the \$9.798 billion is supported in the direct testimony of Mr. Chronister [Tr. 3351] and MFR D-1a [Ex. 6, MPN J378]; however, the revised number after the company's August Filing is \$9.791 billion, which ties to total rate base. [Ex. 835] This lower total capital structure amount does not materially impact the WACC rate. This is a fallout issue dependent on the Commission's decisions on other capital structure issues.

### **2025 NET OPERATING INCOME**

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

**TECO:** \*Yes. Test year revenues at current rates is \$1.481 billion, which was determined by applying the company's current tariff rates to the electricity sales reflected in its Customer, Demand, and Energy forecasts by customer rate classes in Issue 2.\*

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<sup>17</sup> OPC's witness as well as FR/L's witnesses both recommended an ROE of 9.5 percent. [Tr. 2567, 2798] The witness for FEA recommended an ROE of 9.6 percent. [Tr. 2928] FIPUG's witness recommended an ROE of 9.78 percent. [Tr. 2703, 2708]

The company's position is supported in the record by MFR Schedule C-1, page 1 of 3 [Ex. 5, MPN J222], the testimony of Ms. Cifuentes [Tr. 1491-1505], and the Chronister II direct testimony. [Tr. 3373-3374] The company's Customer, Demand, and Energy forecast for 2025 is reasonable for the reasons explained by Ms. Cifuentes and discussed under Issue 2. The process used to convert the forecast into revenues at current rates was described by Mr. Chronister. [Tr. 3373-3374] The resulting test year revenues at current rates of \$1.481 billion is reasonable and should be approved by the Commission. As discussed under Issue 2, and not repeated here to avoid duplication, OPC's proposed 2025, 2026, and 2027 base revenue adjustments of \$12 million, \$20 million, and \$26 million are unreasonable and erroneously suggest that the base revenues for these years are understated. [Tr. 1511] They are based on a methodology that overlooks important facts, contains inaccuracies, and is inconsistent with accepted industry best practices. [Tr. 3434-3435] Accordingly, the base revenue adjustments as proposed by OPC should be rejected.

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

**TECO:** \*The correct amount of total operating revenues for the 2025 projected test year is \$1.518 billion, which reflects the amount of revenue from sales in Issue 41 plus a reasonable estimate of Other Operating Revenues for the 2025 test year.\*

The company's position on this issue is supported in the record as shown on MFR Schedule C-1, page 1 of 3 [Ex. 5, MPN J222], and the Chronister II direct testimony. [Tr. 3374] The company's forecast of other operating revenue was prepared using different assumptions for different types of revenues [Tr. 3374], was not challenged by the intervenors and is reasonable. The Commission should approve Total Operating Revenues of \$1.518 billion for the 2025 test year.

**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?

**TECO:** \*The company included \$9,685,047 of Polk Unit 1 non-fuel O&M costs in the 2025 projected test year. These costs are justified in light of the significant fuel diversity, reliability, and flexibility benefits that Polk Unit 1 provides to customers. Sierra Club's recommendations to disallow the O&M expenses associated with wastewater injection and the IGCC components at Polk Unit 1 should be rejected and the company's forecasted amount should be approved.\*

The company included \$9,685,047 of Polk Unit 1 non-fuel O&M costs in the 2025 projected test year. [Ex. 114, MPN C32-3207] The Commission should reject Sierra Club's proposed disallowance of O&M expenses for Polk Unit 1's IGCC equipment because that equipment benefits customers. These benefits include providing a source of replacement power within the State of Florida, which has limited interconnections allowing for import of replacement power and providing fuel diversity that can help mitigate the volatility of natural gas prices. [Tr. 696] The IGCC equipment at Polk Unit 1 has been maintained in a used and useful condition and could be returned to service within a year. [Tr. 698] The Commission should find that the IGCC equipment remains available to provide reliability and fuel diversity benefits to Tampa Electric's customers, reject Sierra Club's proposed adjustments, and approve continued recovery of O&M expenses related to that equipment.

**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?

**TECO:** \*The company included \$12,472,909 in Big Bend Unit 4 non-fuel O&M costs in the 2025 projected test year. These costs are justified in light of the significant fuel diversity, reliability, and flexibility benefits that Big Bend Unit 4 provides to customers. Sierra Club's recommendations to disallow the O&M expenses associated with coal combustion operation of the unit should be rejected and the company's forecasted amount should be approved.\*

The company included \$12,472,909 in non-fuel O&M costs for Big Bend Unit 4 in the projected test year. [Ex.114, MPN C32-3207] The Commission should reject Sierra Club's proposed disallowance of O&M expenses for coal combustion operations at Big Bend Unit 4 because combustion of coal provides significant reliability and economic benefits to customers. Big Bend Unit 4 is the only dual fuel unit in Tampa Electric's portfolio capable of quickly switching from one fuel to another fuel and remaining on that onsite fuel during an extended fuel interruption, extreme winter weather, or other similar incidents. [Tr. 706] Mr. Aldazabal described several instances when burning coal provided reliability and economic benefits in his rebuttal testimony, including during Winter Storm Uri in 2021 and during extreme heat in August 2023. [Tr. 701-704] Retaining dual-fuel capability will also result in economic benefits in the future, as it allows the company to avoid buying additional firm gas transportation, which would cost approximately \$25 million per year. [Tr. 378-379; 705] This estimate is conservative, meaning the actual cost of additional firm gas transportation could be much higher. [Tr. 794-795]

Sierra Club failed to demonstrate that Big Bend 4 is uneconomic to operate. Ms. Glick presents an analysis that purports to show that Big Bend 4 was uneconomic to operate in 2019, 2020, and 2023. [Tr. 2537] To reach this conclusion, Ms. Glick prepared a total unit cost that included capital expenditures. [*Id.*] Ms. Glick also testified, however, that it is reasonable for a generating unit's expenses to exceed revenues in a single year "when a large capital investment is made." [Tr. 2538] Tampa Electric made large capital investments in Big Bend Unit 4 in the years 2019, 2020, and 2023. [Tr. 701] In other words, the unit was only uneconomic under Ms. Glick's own analytical framework in years when the company made large capital investments. Even assuming, *arguendo*, that Ms. Glick's analysis is correct, it does not demonstrate that Big Bend 4 is uneconomic to operate.

Tampa Electric has shown that retaining dual-fuel capability in Big Bend Unit 4 provided significant reliability and economic benefits for Tampa Electric's customers over the last several years and Sierra Club's analysis to the contrary is flawed. [Tr. 701-707, 710-713; Ex. 142, MPN D1-47] The Commission should reject Sierra Club's proposed disallowance of O&M expense related to coal combustion operation and approve \$12,472,909 in Big Bend Unit 4 non-fuel O&M costs for the 2025 projected test year.

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

**TECO:** \*The Commission should approve Jurisdictional Adjusted Production (generation) O&M Expense for the 2025 test year of \$125.0 million, less \$285,000 per the company's July and August Filings, for a total of \$124.7 million. OPC's proposed adjustment to test year generation O&M expense should be rejected. If the Commission adjusts planned outage expenses for the test year, it should allow the company to defer costs above the annual amount allowed for recovery in future years.\*

Tampa Electric's forecasted 2025 generation O&M expense of \$125.1 million less \$285,000 per the company's July and August Filings [Ex. 217; Ex. 835], for a total of \$124.7 million is reasonable and necessary to operate the company's generation assets in a safe, reliable manner. [Tr. 645-646] While this level of generation O&M expense is above the benchmark by \$10.9 million, this variance is due in part to the timing of planned major outages. [Tr. 646] Contrary to OPC's assertion, Tampa Electric did not "bunch" these planned outages so that they would fall in the projected test year. [Tr. 686] None of the three outages planned for the 2025 test year were scheduled at a prior time and delayed to the test year. [Tr. 726] If the Commission is concerned about the level of proposed planned outage expense in the test year, the company agrees with OPC witness Lane Kollen's expense deferral idea and proposes that the \$12.4 million expense increment over Mr. Kollen's \$12.8 million annual average be deferred and amortized over three years, for a total planned 2025 outage expense of \$16.93 million. [Tr. 3435-3438]



OPC's focus on Tampa Electric exceeding the operating hour interval recommended by the original equipment manufacturer for major outages on Bayside Unit 1 is not grounds for a disallowance of outage expenses. Rather, the company's ability to exceed that recommendation is a testament to the value of the company's asset management program. [Tr. 724-725] The company applied asset management principles and conducted borescope inspections to ensure the unit did not have any operating issues, which allowed the company to defer outages beyond the recommended major outage intervals. [Tr. 724] This in turn benefited customers by allowing the unit to run longer than anticipated between major outages. [Tr. 729]

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

**TECO:** \*The Commission should approve Jurisdictional Adjusted Transmission O&M Expense for the 2025 test year of \$11,491,000. This amount is below the Commission's benchmark amount, is reasonable, and should be approved.\*

Tampa Electric's projected transmission expenditures in the 2025 test year excluding SPP costs is \$11,491,000, is reasonable, and should be approved. [Tr. 1134; Ex. 5, MPN J330] This amount is \$4.6 million less than the Commission's O&M benchmark. [Tr. 1136-1137; Ex. 5, MPN J333] Tampa Electric was able to manage Electric Delivery O&M expenses several ways, including managing overtime, using requests for proposals for labor costs, ensuring time is charged appropriately, through the company's Asset Management Program, and by smart use of technology. [Tr. 1137] FR/L's proposal to disallow GRR-related expenses from total transmission O&M expenses should be rejected because the company's GRR projects are reasonable and prudent as shown under Issues 19 and 96.

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

**TECO:** \*The Commission should approve Jurisdictional Adjusted Distribution O&M Expense for the 2025 test year of \$54,243,000. This amount is below the Commission's benchmark amount, is reasonable, and should be approved.\*

Tampa Electric's projected distribution O&M expense in the 2025 test year excluding SPP costs is \$54,243,000 [Tr. 1134-1136; Ex. 5, MPN J330], which is \$13.4 million below the Commission's distribution benchmark. [Tr. 1137] Tampa Electric manages Electric Delivery O&M expenses by minimizing overtime, using requests for proposals for labor costs, ensuring time is charged appropriately, through the company's Asset Management Program, and through the smart use of technology. [*Id.*] FR/L's proposal to disallow GRR-related projects from distribution O&M should be rejected because the company's GRR projects are reasonable and prudent as shown under Issues 19 and 96.

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

**TECO:** \*Yes. The appropriate adjustments are shown on MFR Schedules C-2 and C-3 and should be approved.\*

This issue appears to be uncontested and the company's position is supported by the Chronister II direct testimony [Tr. 3395] and MFR Schedules C-2 and C-3. [Ex. 5, MPN J225, J226, J231, J232]

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

**TECO:** \*Yes. The appropriate adjustments are shown on MFR Schedules C-2 and C-3 and should be approved.\*

This issue appears to be uncontested and the company's position is supported by Chronister II direct testimony [Tr. 3395] and MFR Schedules C-2 and C-3. [Ex. 5, MPN J225, J226, J231, J232]

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

**TECO:** \*Yes. The appropriate adjustments are shown on MFR Schedules C-2 and C-3 and should be approved.\*

This issue appears to be uncontested and the company's position is supported by the Chronister II direct testimony [Tr. 3395] and MFR Schedules C-2 and C-3. [Ex. 5, MPN J225, J226, J231, J232]

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

**TECO:** \*Yes. The appropriate adjustments are shown on MFR Schedules C-2 and C-3 and should be approved.\*

This issue appears to be uncontested and the company's position is supported by the Chronister II direct testimony [Tr. 3395] and MFR Schedules C-2 and C-3. [Ex. 5, MPN J225, J226, J231, J232]

**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?

**TECO:** \*Yes. The appropriate adjustments are shown on MFR Schedules C-2 and C-3 and should be approved.\*

The company's position is supported by the Chronister II direct testimony [Tr. 3395] and MFR Schedules C-2 and C-3. [Ex. 5, MPN J225, J226, J231, J232] OPC's proposed adjustment to remove SPP Feeder Hardening costs (cost of removal) should be rejected as explained under Issue 25.

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

**TECO:** \*The Commission should approve salaries and benefits expense, including incentive compensation, for the 2025 test year in the amount of \$376.9 million as shown on MFR Schedule C-35.\*

The company's position on this issue is supported by the direct and rebuttal testimony of Ms. Cacciatore [Tr. 1426] and MFR Schedule C-35. [Ex. 5, MPN J370] The company's total compensation expense (salary and benefits) is set based on benchmarking at the market median, is reasonable, and benefits customers by ensuring the company attracts and retains skilled, talented, and customer-focused team members. [Tr. 1426-1427] The Commission should reject OPC and FR/L's proposals to disallow recovery of expenses associated with the company's short-term incentive plan ("STIP"), long-term incentive plan ("LTIP"), and supplemental employee retirement plan ("SERP"), because these plans: (1) are reasonable and prudent parts of the company's total compensation expense, which is targeted at the market-median, (2) enable the company to compete for employee talent, and (3) provide reasonable and balanced incentives that benefit customers. [Tr. 1432-1448]

Tampa Electric's STIP and LTIP are similar to the plans approved by the Commission for its affiliate, Peoples Gas System, Inc., [Tr. 1437-1438] and are the kind of plans approved by the Commission for other utilities like Gulf Power Company, Florida Power Corporation (now Duke Energy Florida), and Florida Public Utilities Company. [Tr. 1438-1439] FR/L's proposal to condition cost recovery of variable compensation plan costs on affordability is unworkable for the reasons described by Ms. Cacciatore in her rebuttal testimony. [Tr. 1441-1444] FR/L's proposal to require financial targets to be tied to customer benefits ignores the fact that 65 percent of the incentives in the company's STIP are directly tied to customer benefits [Tr. 1444] and that it

benefits customers to be served by a financially healthy utility that has a financially healthy parent company. [Tr. 1444-1445]

**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?

**TECO:** \*Yes. The Commission should approve the company's pension and OPEB expenses for the test year as shown on MFR Schedule C-17.\*

As explained in the rebuttal testimony of Mr. Chronister, a portion of active employee pension and OPEB expenses were capitalized through the company's fringe rate like other benefit costs and reflected as a credit to Account 926 when the company prepared its 2025 test year forecast. [Tr. 3439] OPC's proposed adjustment to reduce O&M expense is inappropriate because the amount of pension and OPEB costs to be capitalized has already been deducted from the company's forecasted benefits expense. [*Id.*] The company's 2025 test year reflects capitalization of \$424,000 and \$697,000 of pension and OPEB costs, respectively. The Commission should reject OPC's proposed adjustment and approve the company's position as filed.

**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 and what, if any, other measures should be taken?

**TECO:** \*The company accounts for affiliated transactions in accordance with Rule 25-6.1351 and no party alleges that the company has violated that rule. The Commission should approve (\$28,650,000) of allocated costs and charges from Tampa Electric Company to affiliates and \$15,653,000 of allocated costs (\$11,075,000) and direct charges (\$4,578,000) incurred by the company from affiliates for the test year. OPC's proposed other measures are not needed, or alternatively, should only be prescribed through rulemaking.\*

Two preliminary points provide context for this issue. First, no party alleged in its testimony or its prehearing position that the calculation of Tampa Electric's test year expenses violated the Commission's affiliate transaction rule. Second, most of the company's affiliate transactions are reflected in the Administrative and General functional expense group, which is

\$56 million below the Commission's benchmark. [Tr. 3477] The company's allocation methods and allocated amounts are reasonable and should be approved.

The Commission should approve (\$28,650,000) of allocated costs and charges from Tampa Electric Company to its affiliates for the 2025 projected test year as reflected in OPC's 5th Set of Interrogatories No. 98. [Ex. 62, MPN C23-2325 to C23-2329] This amount is designated with an "S" for Sale, "A&G Expense Credit" as its general ledger treatment, is included on line No. 62, and reduced test year O&M expenses. The Commission should also approve the total of \$15,653,000 of allocated costs (\$11,075,000) and direct charges (\$4,578,000) incurred by Tampa Electric Company from affiliated companies for the 2025 projected test year as reflected in the company's response to OPC's 5th Set of Interrogatories No. 98. [*Id.*] This amount is designated with a "P" for Purchase and included on line No. 60. These "S" and "P" amounts were developed using the cost allocation methodologies described in the Chronister II direct testimony, which have been in place for many years, are fair and reasonable, and should be approved. [Tr. 3472-3478] OPC's testimony on affiliate transactions does not show that Tampa Electric's cost allocation procedures violated the applicable rule or are unreasonable. [Tr. 3472-3478]

The Commission should reject OPC's adjustments because they subtract amounts not included in the company's test year budget, are based on incorrect information and assumptions, rely on historical not test year data, and are founded on inappropriate modification of allocation factors. [Tr. 3472-3478] Given the extensive discovery it conducted [Tr. 3466-3468], the Commission should disregard any argument that the scope and execution of the staff audit on affiliate transactions prejudiced OPC. OPC's proposals for additional procedures and future regulation reflect OPC's dissatisfaction with the way the Commission regulates affiliate transactions in general (not dissatisfaction with Tampa Electric) and should only be considered in

rulemaking or other proceeding applicable to all public utilities operating under the Commission's jurisdiction and are either overly burdensome or redundant. [Tr. 3478-3480]

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

**TECO:** \*The Commission should approve \$303,000 of Directors and Officers ("D&O") Liability Insurance expense and \$752,000 of Board of Director expense for the 2025 projected test year.\*

The Commission should reject OPC's proposed 50 percent adjustment because D&O Liability Insurance and Board of Directors expenses are an ordinary and necessary cost of doing business, are necessary to recruit and retain qualified directors and officers, and the amounts are reasonable. [Tr. 3441-3442]

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

**TECO:** \*The Commission should approve economic development expenses for the 2025 projected test year of \$446,502.\*

This amount was calculated in accordance with Rule 25-6.0426, F.A.C., is reasonable, and should be approved. [Tr. 3395-3396] Recovery of economic development expense is consistent with the State's energy policy as reflected in Section 377.601(2)(f), Florida Statutes, which states that the State supports economic growth.

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

**TECO:** \*The Commission should approve total rate case expense of \$2,048,000, an amortization period of three years, and \$683,000 of rate case expense for the projected 2025 test year as shown on MFR Schedule C-10.\*

OPC has taken no position on the appropriate amount of rate case expense but agrees with Tampa Electric on a three-year amortization period. The company's position on the amount of rate case expense and amortization period is supported by the Chronister II direct testimony. [Tr. 3397]

Both the amount and amortization period proposed by the company are reasonable. [*Id.*] FR/L's position is unreasonable, ignores the Commission's longstanding practice to allow recovery of reasonable rate case expenses, and should be rejected.

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

**TECO:** \*The Commission should approve Jurisdictional Adjusted Other O&M Expenses of \$391.8 million for the 2025 projected test year as shown on MFR Schedule C-1, less \$285,000 per the company's July and August Filings for a total of \$391.5 million.\*

Tampa Electric agrees with OPC that this is largely a fallout issue. The company has shown in the testimony Mr. Aldazabal [Tr. 645-651], Mr. Whitworth [Tr. 1133-1139, 1142-1143], Ms. Sparkman [Tr. 468-471, 475], Ms. Cacciatore [Tr. 1418-1423], Mr. Heck [Tr. 1330-1336], Mr. Chronister [Tr. 3319-3320], and the Chronister II direct testimony [Tr. 3390-3391], and in Issues 43 through 58, that its O&M expense levels by function for the test year are reasonable. [MFR C-35, Ex. 5, MPN J370; MFR C-41, Ex. 5, MPN J333 to J340] The company's total 2025 O&M expense of \$391.5 million [Ex. 217; Ex. 835] is below the Commission's benchmark, is reasonable, and should be approved.

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

**TECO:** \*Based on the depreciation parameters and rates proposed in Issue 7, the Commission should approve Jurisdictional Adjusted Depreciation and Amortization expense in the amount of \$531.4 million for the projected 2025 test year as shown on MFR Schedule C-1, less \$5,198,021 per the company's July and August Filings for a total of \$526.2 million.\*

Tampa Electric agrees with OPC that this is largely a fallout issue. It has shown in the testimony of Mr. Allis [Tr. 1648-1649, 1680-1681], Mr. Kopp [Tr. 1767-1769], Mr. Chronister [Tr. 3442-3444], and in Issues 5 through 12, that its proposed depreciation rates, dismantlement accrual, and resulting rates and expenses are reasonable based on its proposed amounts of



depreciable assets in rate base. The company has demonstrated that its proposed levels of depreciable assets in rate base are reasonable in Issues 13 through 32. Its position is supported in the record by MFR Schedule C-1 [Ex. 5, MPN J222] and the company's July and August Filings. [Ex. 217; Ex. 835]

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

**TECO:** \*The Commission should approve Jurisdictional Adjusted Taxes Other Than Income expense of \$101.6 million for the projected 2025 test year as shown on MFR Schedule C-1, plus \$923 per the company's July and August Filings, for a total of \$101.6 million.\*

This issue appears to be uncontested. The company's position is supported by the Chronister II direct testimony [Tr. 3400] and MFR C-1. [Ex. 5, MPN J222]

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

**TECO:** \*The Commission should approve a Parent Debt Adjustment calculated in accordance with Rule 25-14.004, F.A.C., of \$12.9 million for the projected 2025 test year. The adjustment decreased the company's 2025 revenue requirement by \$17.4 million.\*

This issue appears to be uncontested. The company's position is supported by the direct testimony of Ms. Strickland [Tr. 3201-3203] and MFR Schedules C-22 and C-24. [Ex. 5, J274 to J276; Ex. 5, J281]

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

**TECO:** \*The company reduced projected 2025 test year income tax expense by approximately \$38.6 million to reflect the "flow through" of the estimated amount of PTC to be generated in 2025 by its solar plants placed in service in 2022 and thereafter; this amount should be approved by the Commission.\*

The dollar amount in this issue has been updated to reflect the company's July and August Filings and is supported by the direct testimony of Ms. Strickland [Ex. 217; Ex. 835; Tr. 3193] and

Exhibits 217 and 835. FR/L's position on allocation of PTC is a cost of service/rate design, not an NOI issue, and should be addressed as such.

**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?

**TECO:** \*The Commission should approve \$58.7 million of "deferred" PTC (2022-2024) as of December 31, 2024, a ten-year amortization period, and a \$5.9 million NOI reduction for 2025. The three-year amortization period proposed by OPC is too short and would create intergenerational inequities and an abnormal ratemaking earnings profile. A five-year amortization period and an annual amortization of \$11.7 million would be a middle ground. No carrying charge should be added to the deferred balance.\*

The two elements of this issue in dispute are the amortization period and whether a carrying charge should be added to the deferred balance. The amount of the deferred PTC balance to be amortized does not appear to be in dispute and is supported by the testimony of Ms. Strickland [Tr. 3183-3184, 3186] as updated at the final hearing [Tr. 3174-3176] for the company's July and August Filings. [Ex. 217; Ex. 835]

Tampa Electric has proposed a 10-year amortization period, which OPC asserts is too long. OPC has proposed a three-year amortization period, which Tampa Electric asserts is too short. Tampa Electric's position on the amortization period is reasonable for the reasons explained in the direct and rebuttal testimony of Ms. Strickland [Tr. 3183-3184, 3188-3189; 3212-3214, 3218]; however, a five-year amortization period and an annual amortization of \$11.7 million would be a middle ground.

The regulatory liability recorded by the company should not be increased by a carrying charge, because it would be unfair to impose a carrying cost on a disputed amount<sup>18</sup> and because regulatory liability is similar to a regulatory liability for gain on the sale of assets, which does not

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<sup>18</sup> The fact that the 2021 Agreement required that new tax credits be normalized suggests that deferring the incremental PTC was not required. The company should not be "punished" by imposing a carrying cost on the deferred balance, when there is a strong argument that deferring the incremental PTC was not required.

accrue a carrying charge. If a carrying charge for the regulatory liability is implemented, then the 13-month average of the regulatory liability should be removed from Jurisdictional Adjusted Rate Base so that the revenue requirement reduction is not done twice.

**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?

**TECO:** \*The Commission should approve ITC amortization for pre-2022 solar based on a 30-year book depreciation life that reduces income tax expense by \$9.9 million and for energy storage devices based on a 20-year book depreciation life that reduces test year income tax expense by \$1.4 million. The Commission should not require the company to opt-out of normalization for energy storage ITC, but if it does, OPC's proposed three-year amortization period is too short.\*

The company's position on the amount and amortization period for pre-2022 solar ITCs is supported by the direct and rebuttal testimony of Ms. Strickland. [Tr. 3193-3194, 3196-3199; 3217-3219] The amortization periods for solar should be adjusted to reflect the book depreciation life approved by the Commission as discussed in Issue 10. The company has agreed that the book life for energy storage devices should be 20 years, so the related deferred ITC should be amortized over that period (*i.e.*, normalized).

The current tax laws allow Tampa Electric to opt-out of the normalization requirement (amortization over book depreciation life) for ITC on energy storage devices. [Tr. 3214] The company has not filed a tax return including ITC for energy storage, has not elected one way or the other on the opt-out, and will elect to opt-out if the Commission decides that it should do so. [Tr. 3257-3258] OPC's position that Tampa Electric has already made an election is incorrect and not supported by the evidence in the record.

The Commission should not order the company to opt-out and should approve normalization of deferred ITC for energy storage devices. This approach is consistent with the FPSC's long-standing practice of normalizing ITC and will avoid intergenerational cost inequities

by allowing the customers who will pay for the assets to enjoy the benefit of the tax credits over the life of the assets, i.e., matching benefits with costs. [Tr. 3215] If the Commission requires Tampa Electric to opt-out of normalization, the three-year amortization period for battery storage proposed by OPC is too short [Tr. 3257-3258], would create intergenerational inequities (benefits will accrue only in early years of an asset's life) and an abnormal ratemaking earnings profile, and should be rejected in favor of a longer period – 10 years or more.

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

**TECO:** \*The Commission should approve Jurisdictional Adjusted Income Tax Expense (Benefit) totaling (\$8.3 million) for the projected 2025 test year as shown on MFR Schedule C-1, plus \$668,825 per the company's July and August Filings, for a total of (\$9.0 million). The July and August Filings provided revenue requirement impacts and the \$668,825 of Income Tax expense adjustments includes the appropriate tax impacts to NOI.\*

Tampa Electric agrees with OPC that this is a fall out issue and the final amount depends on the resolution of other issues. The company's position is supported by the direct testimony of Ms. Strickland [Tr. 3197-3198], MFR Schedule C-1 [Ex. 5, MPN J222] and its July and August Filings. [Ex. 217; Ex. 835]

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

**TECO:** \*The Commission should approve Jurisdictional Adjusted Net Operating Income ("NOI") for the projected 2025 test year of \$501.4 million as shown on MFR Schedule C-1, plus \$5,915,753 of NOI adjustments per the company's July and August Filings, for a total of \$507.3 million. The July and August Filings provided revenue requirement impacts and the \$5,915,753 of NOI adjustments includes the appropriate tax impacts to NOI.\*

Tampa Electric agrees with OPC that this is a fall out issue and the final amount depends on the resolution of other issues. The company's position is supported by MFR Schedule C-1 [Ex. 5, MPN J222] and its July and August Filings. [Ex. 217; Ex. 835]

## **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?

**TECO:** \*The Commission should approve a revenue expansion factor and NOI multiplier of 0.74424 and 1.34364, respectively, for the projected 2025 test year based on the following elements and rates: regulatory assessment fee (0.085 percent), bad debt rate (0.224 percent), state income tax rate (5.5 percent) and federal income tax rate (21.0 percent).\*

Tampa Electric and OPC agree on this issue. The company's position is supported in the record by MFR Schedule C-44. [Ex. 5, MPN J343] FR/L's position as reflected in the prehearing order should be rejected because equity-debt ratio is not an input to the calculation of the revenue expansion factor.

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

**TECO:** \*The Commission should approve a \$288.0 million annual operating revenue increase for the 2025 projected test year as shown on the company's August Filing.\*

This is a fallout issue that depends on the resolution of other issues. The company's as-filed position is supported in the record in its MFRs, specifically MFR A-1 [Ex. 3, MPN J5] and its updated position is supported in its July and August filings. [Ex. 217; Ex. 835]

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

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

**TECO:** \*Yes. Tampa Electric's proposed Jurisdictional Separation Study is appropriate and should be approved.\*

This issue appears to be uncontested. Tampa Electric's witness Jordan Williams prepared the company's Jurisdictional Separation Study, which was included in the company's minimum filing requirement schedules. [Tr. 3653; Ex. 8] Mr. Williams prepared this study using the same methodology approved by the Commission in Tampa Electric's last base rate proceeding in Docket

No. 20210034-EI. [Tr. 3657] The study shows that Tampa Electric’s retail business is responsible for 100 percent of its production and distribution plant and 93.52 percent of its transmission plant. [Tr. 3659] The Commission should find that Tampa Electric’s proposed Jurisdictional Separation Study is appropriate and approve it.

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

**TECO:** \*The company has proposed to allocate production costs using the 4 Coincident Peak methodology as provided in the 2021 Agreement. The Big Bend Unit 4 scrubber and Polk 1 gasifier should continue to be allocated on an energy basis, which is consistent with Tampa Electric’s last four approved Cost of Service Studies.\*

Tampa Electric’s proposed cost of service study (“COSS”) is supported by the direct testimony of Mr. Williams. [Tr. 3659-3676] The company’s proposed COSS uses the 4 CP and full MDS methodology because the terms of the 2021 Agreement require it. [Tr. 3654; 3673-3674; Ex. 31, MPN C16-1511 to C16-1512] Mr. Williams presented the derivation of the cost allocation factors used in the company’s proposed COSS in MFR Schedule E-10. [Tr. 3671; Ex. 7, MPN J421 to J432] Tampa Electric also prepared a COSS using the 12 CP and 1/13<sup>th</sup> cost allocation methodology to comply with Commission rule. [Tr. 3654] FR/L will present argument in favor of the 12 CP and 1/13<sup>th</sup> methodology, FIPUG will argue in favor of 4 CP, and the Commission will decide which method should be used.

The Commission should reject FIPUG witness Jeff Pollock’s argument that the costs of Tampa Electric’s Polk 1 gasifier equipment and Big Bend Unit 4 scrubbers should be allocated on a demand basis (and not on an energy basis as proposed by Mr. Williams). [Tr. 2704] Mr. Pollock made this same argument in Tampa Electric’s 2008 rate case, and it was rejected. [Tr. 3706] In that case, the Commission agreed with Tampa Electric “that the Polk 1 gasifier and Big Bend Units 3 and 4 scrubber should be classified as energy, as opposed to demand, and thus allocated to the rate

classes on an energy basis.” [Tr. 3706-3707] The Commission observed that the Big Bend scrubber was classified as energy related as far back as Tampa Electric’s 1992 rate case and that the scrubber allowed the company to burn lower cost varieties of coal, “thereby reducing fuel costs which are allocated on an energy basis.” [Tr. 3707] Similarly, the Commission found that the gasifier “performs a fuel conversion function, converting solid coal into gas,” making it “appropriate to allocate the cost of the gasifier on an energy basis.” [Id.] Mr. Pollock’s arguments in this proceeding are effectively the same as they were in 2008. [Id.] Since he did not identify any new or different rationales for changing the Commission’s long-standing allocation, the Commission should reject his proposal.

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

**TECO:** \*Tampa Electric has proposed to allocate transmission costs using the 4 Coincident Peak methodology as provided in the 2021 Agreement.\*

Tampa Electric proposes to allocate transmission costs using the 4 CP methodology as required by the 2021 Agreement. [Tr. 3673-3674; Ex. 31, MPN C16-1511 to C-16-1512] Tampa Electric also prepared a COSS using the 12 CP and 1/13<sup>th</sup> cost allocation methodology to comply with Commission rule. [Tr. 3654] FR/L will present argument in favor of the 12 CP and 1/13<sup>th</sup> methodology, FIPUG will argue in favor of 4 CP, and the Commission will decide which method should be used.

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

**TECO:** \*Tampa Electric proposes to classify distribution costs using a full MDS approach as provided in the 2021 Agreement. Distribution costs should be allocated the same way in which they were derived and provided in MFR Schedule E-10. The allocation methodology relies on a mixture of rate class non-coincident peaks and customer maximum demands.\*

Tampa Electric proposes to classify distribution costs using the full MDS methodology as required by the 2021 Agreement. [Tr. 3654, 3664; Ex. 31, MPN C16-1511 to C16-1512] The MDS represents the portion of the system necessary for the company to be able to serve a customer, not the capacity needed to meet a customer's peak demand requirements. [Tr. 3664] Mr. Williams provided supporting workpapers for the MDS analysis in Volume II of the MFR E Schedules. [Tr. 3668; Ex. 9] Tampa Electric also prepared a COSS that does not use MDS to comply with Commission rule. [Tr. 3654] FR/L will present argument against use of MDS, FIPUG will argue in favor of it, and the Commission will decide which method should be used.

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

**TECO:** \*Any changes in the revenue requirement should be allocated among customers based on the cost allocation methodology approved by the Commission in this case.\*

Any changes in the revenue requirement should be allocated among customers based on the cost allocation methodology approved in this case. As explained above, Tampa Electric submitted two COSS – one using 4 CP and full MDS and another using 12 CP and 1/13<sup>th</sup> without MDS. [Tr. 3654] The Commission will decide which of these cost allocation methodologies should be applied to the change in the revenue requirement approved in this proceeding.

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

**TECO:** \*Yes. The proposed modifications are reasonable and should be approved.\*

Tampa Electric offers a demand charge credit for customers taking service under certain rate schedules if those customers take service at the primary voltage level or sub transmission voltage level. [Ex. 7, MPN J524, J537, J542] Mr. Williams evaluated the appropriate credit levels as part of the company's proposed COSS on MFR Schedule E-14b. [Ex. 7, MPN J610] Tampa Electric's proposed delivery voltage credits are based on the unit cost calculated and presented on



MFR Exhibit E-14b. [Ex. 7, MPN J524, J537, J542; Ex. 7, MPN J610] No party presented testimony or evidence challenging the company's proposed voltage credit levels. For these reasons, the Commission should find that they are fair, just, and reasonable and approve the company's proposed delivery voltage credits.

**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)?

**TECO:** \*The appropriate service charges are the proposed charges provided in MFR Schedule E-13b.\*

Tampa Electric witness Mr. Williams prepared the company's proposed service charges. [Ex. 34, MPN C18-1791] The company is not proposing to add or remove any service charges as part of this proceeding. [Tr. 3678] Tampa Electric conducted a Time-and-Motion Study to determine the costs associated with providing the services listed in MFR Schedule E-13b. [Tr. 3677-3678; Ex. 7, MPN J412 to J418] While Tampa Electric is proposing a gradual increase to the service charges listed on MFR Schedule E-13b [Tr. 3678; Ex. 7, MPN J454], the proposed charges are lower than the actual cost the company incurs to complete those services as shown in the company's Time-and-Motion Study. [Ex. 7, MPN J412 to J418; Ex. 7, MPN J454]

While FR/L witness Karl Rabago took issue with the company's proposed initial connection charge [Tr. 2610], this charge only applies for the initial establishment of service to a premise, not to subsequent reconnections, such as when a new customer moves in. [Ex. 7, MPN J485] These initial connection charges are often paid for by the builder of the home, not by tenants or subsequent purchasers. Furthermore, the company's proposed charge remains approximately \$160 less than the actual cost to complete an initial service connection. [Ex. 198, MPN E5987] The company's measured approach to developing service charges is reasonable; the proposed charges are fair, just, and reasonable; and the proposed charges should be approved.

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

**TECO:** \*Yes. The proposed modifications are reasonable and should be approved.\*

No party presented testimony or evidence challenging the company's proposed emergency relay power supply charge, and this issue appears to be uncontested based on the prehearing order. Tampa Electric did not propose any changes to the terms and conditions of emergency relay power supply service, but instead proposed changes to the rate these customers pay to reflect the cost to serve those customers. [Ex. 7, MPN J499 and J506] Tampa Electric provided the calculations to support the proposed emergency relay power supply charges in MFR Schedule E-14b. [Ex. 7, MPN J611 to J612] The proposed charge is based on the unit cost shown in MFR Schedule E-14b, which can be seen by comparing Ex. 7, MPN J499 and J506 with Ex. 7, MPN J611 to J612. The Commission should find that the company's proposed relay power rates are fair, just, and reasonable and approve them.

**ISSUE 78:** What are the appropriate basic service charges?

**TECO:** \*The appropriate basic service charges are shown in MFR Schedule E-13c.\*

Mr. Williams prepared the company's proposed basic service charges. [Ex. 34, MPN C18-1791] These charges were calculated by aggregating all costs classified as customer-related and allocating those costs to the rate classes to derive the fixed daily customer charges. [Tr. 3669; Ex. 7, MPN J455 to J472] These basic service charges are fair, just, and reasonable and should be approved.

**ISSUE 79:** What are the appropriate demand charges?

**TECO:** \*The appropriate demand charges are shown in MFR Schedule E-13c.\*

The company's proposed demand charges are supported by direct testimony of Mr. Williams and are presented in MFR Schedule E-13c. [Tr. 3683-3684 ; Ex. 34, MPN C18-1791; Ex.

7, MPN J455 to J472] The Commission should update the charges to reflect the final revenue increases approved in this case.

**ISSUE 80:** What are the appropriate energy charges?

**TECO:** \*The appropriate energy charges are shown in MFR Schedule E-13c.\*

The company's proposed energy charges are supported by the direct testimony of Mr. Williams and are presented in MFR Schedule E-13c. [Tr. 3683-3684; Ex. 34, MPN C18-1791; Ex. 7, MPN J455 to J472] The Commission should update the charges to reflect the final revenue increases approved in this case.

**ISSUE 81:** What are the appropriate Lighting Service rate schedule charges?

**TECO:** \*The appropriate Lighting Service charges are shown in MFR Schedule E-13c and E-13d.\*

Tampa Electric's proposed Lighting Service Charges are supported by the direct testimony of Mr. Williams and are presented in MFR Schedules E-13c and E-13d. [Tr. 3685-3686; Ex. 34, MPN C18-1791; Ex. 7, MPN J455 to J472; Ex. 7, MPN J473 to J479] No party presented testimony or evidence contesting the appropriateness of the company's lighting charges.

Tampa Electric's COSS indicated that the lighting rate classes are earning above the system rate of return and should therefore be entitled to a revenue reduction. [Tr. 3685-3686] Tampa Electric, however, followed Commission guidance that no rate class should receive a rate decrease and held the lighting class's target revenue flat. [Tr. 3686] Holding the lighting class's target revenue flat will nonetheless substantially and materially move the class towards parity. [Tr. 3686] For these reasons, the Commission should find that they are fair, just, and reasonable and approve the company's proposed Lighting Service charges as shown on MFR Schedule E-13c and E-13d.

**ISSUE 82:** What are the appropriate Standby Services (SS-1, SS-2, SS-3) rate schedule charges?

**TECO:** \*The appropriate Standby Services rate schedule charges are shown in MFR Schedule E-13c.\*

Tampa Electric's proposed Standby Services charges are shown in MFR Schedule E-14. [Ex. 7, MPN J533, J537, J538, J542, J544, J549, J554, J560] These charges are consistent with the unit prices calculated by Mr. Williams in the company's COSS, as reflected in MFR Schedule E-13c. [Ex. 7, MPN J462 to J465, J467, J468, J470, J471] No party presented testimony or evidence contesting the appropriateness of the company's Standby Services charges. The Commission should find they are fair, just, and reasonable and approve the company's proposed standby services charges as shown on MFR Schedule E-13c.

**ISSUE 83:** Should the proposed modifications to the time-of-day periods be approved?

**TECO:** \*Yes. The proposed modifications to the time-of-day periods should be approved. Tampa Electric's proposed modifications to the time-of-day periods are reasonable and more accurately reflect a change in the company's marginal energy cost profile.\*

The Commission should approve Tampa Electric's proposals to change the company's existing Time-of-Day periods for each of its existing optional Time-of-Day schedules, to include a Super Off-Peak time period, and to remove the seasonality of its Time-of-Day periods. [Tr. 3679] The proposed new time periods are reflected in the direct testimony of Mr. Williams. [Tr. 3680] The new time periods align better with the company's hourly cost profile for generation, will provide simplicity to customers by eliminating seasonal variation, and will promote the efficient use of energy by incentivizing customers to consume energy at times when it is cost-effective to do so. [Tr. 3681-3682]

Mr. Pollock's three critiques of the company's proposed changes to the time-of-use rates should be rejected and the Commission should approve the company's proposals. First, his claim

that the proposed elimination of seasonal rates runs contrary to the 4 CP method of allocating costs [Tr. 2732] is inaccurate. Mr. Williams explained that Tampa Electric used the 4 CP methodology to allocate production-demand and transmission costs to each rate class in the proposed COSS, and that the proposed Time-of-Day schedules are simply a different way of collecting these costs through an optional rate. [Tr. 3708-3709]

Second, his claim that eliminating seasonal rates would not create simplicity for customers since customers would have to change their operations is also inaccurate. [Tr. 2733] In fact, customers will only need to reset their operations once to reflect the new time periods, instead of adjusting them seasonally. [Tr. 3710]

Third, his claim that Tampa Electric's marginal energy costs are not consistently low during the proposed Super Off-Peak Period misses the mark. [Tr. 2735] Mr. Pollock correctly notes that there are hourly variations in marginal pricing; however, the average marginal energy cost in the proposed Super Off-Peak period is lower than the average marginal energy costs in the proposed Off-Peak and Peak periods over the course of a year. [Tr. 3711] The proposed lower rate in the Super Off-Peak period will encourage customers to consume energy when it is cheaper, on average, for Tampa Electric to produce. [*Id.*]

**ISSUE 84:** Should the proposed modifications to the Non-Standard Meter Rider tariff (Tariff Sheet No. 3.280) be approved?

**TECO:** \*No. Tampa Electric did not propose any modifications to the Non-Standard Meter Rider tariff.\*

Tampa Electric's Non-Standard Meter Rider Tariff applies for customers that choose to opt out of installing one of the company's Advanced Metering Infrastructure ("AMI") meters. [Ex. 7, MPN J481] The company prepared a Supplemental Opt-Out Study, which is included in the company's MFR E schedules, that calculates the incremental cost to serve customers taking service

under this rider. [Ex. 34, MPN C18-1790; Ex. 9, MPN J890] While the Supplemental Opt-Out Study showed a lower one-time charge than that reflected in the existing Tariff, the company did not propose to reduce the participant fee because this is an optional program [Ex. 199, MPN E6019] and because AMI meters reduce costs for all customers by allowing the company to complete some tasks remotely. [Ex. 208, MPN E7780] It is reasonable to leave the Non-Standard Meter Rider tariff unchanged and no party presented testimony or evidence challenging this position. The Commission should find that the company's existing Non-Standard Meter Rider tariff charge is fair, just, and reasonable and approve it without modification.

**ISSUE 85:** Should the proposed tariff modifications to the Budget Billing Program (Fifth Revised Tariff Sheet No. 3.020) be approved?

**TECO:** \*Yes. The proposed modifications are reasonable and should be approved.\*

The Commission should approve the company's proposed modifications to the Budget Billing Program. Under the current program, a participant's monthly payment is based on an average of the customer's previous 12 monthly bills. [Ex. 7, MPN J482 to J483; Tr. 3689] The company tracks any deferred balance, and on the anniversary of the customer's initial participation in the program, any credit deferred balance would be refunded to the customer and one twelfth of any deferred debit is added to the following year's recalculated budgeted monthly payment amount. [Ex. 7, MPN J482] Since the current program is backward looking, changes in the company's rates or the customer's consumption level can result in high deferred balances. [Tr. 3689-3690] This occurred in recent years due to factors such as fuel price volatility, storm restoration costs, and base rate adjustments. [Tr. 3689-3690]

Under the company's proposed revised tariff, the company would be authorized to adjust a customer's monthly payment to reflect any known changes to the company's rates or to the customer's consumption, such as installation of a pool pump or electric vehicle charger. [Tr. 3690]

The company would review whether an adjustment is necessary on a quarterly basis. [*Id.*] Tampa Electric would also recalculate the customer's monthly payment if the customer requested it. [Ex. 199, MPN E6013] If the difference between the current budgeted payment amount and the recalculated amount is within 10 percent, Tampa Electric may decline to change the customer's existing payment amount. [Ex. 199, MPN E6014] These periodic reviews and adjustments will help smooth any increases or decreases to the customer's monthly payment amounts and promote bill stability, which is the reason for the program's existence. [Tr. 3690] The proposed changes will achieve the purpose of the existing program by enhancing bill stability and no party submitted evidence opposing these changes. The proposed Budget Billing Program changes are reasonable and should be approved.

**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?

**TECO:** \*Yes. The proposed modifications are reasonable and should be approved.\*

Tampa Electric proposes modifications to Tariff Sheet 5.070, which addresses customer responsibilities. [Ex. 7, MPN J490] These changes make it clear that the customer is responsible for maintaining electrical equipment on the customer's side of Tampa Electric's delivery point. [*Id.*] They also clarify that Tampa Electric is not liable for any property damage, personal injury, or fatality on the customer's premise that results from the customer's installation of equipment behind the meter. [*Id.*] The proposed new Tariff Sheet 5.081 provides additional clarity regarding the indemnity provisions in the Rules and Regulations section of the company's tariff. [Ex. 7, MPN J495] Tampa Electric is proposing these changes to provide greater clarity regarding the company's and the customer's respective responsibilities. [Tr. 3689] These changes will clarify the company's

tariffs and there is no evidence opposing them; therefore, the Commission should find that the changes are reasonable and approve them.

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

**TECO:** \*Yes. The proposed modifications are reasonable and should be approved.\*

Under Tariff Sheet 5.105, the company is authorized to require a customer to pay a contribution in aid of construction (“CIAC”) prior to constructing facilities to serve that customer. [Ex. 7, MPN J497] Tampa Electric normally requires a customer to provide CIAC when the cost of the facilities required to serve that customer exceeds the cost of facilities typically provided by the company. [*Id.*] CIAC fees are intended to protect the general body of ratepayers from subsidizing special requests. [*Id.*]

Tampa Electric proposes to change its CIAC tariff to authorize the company to agree on “alternative acceptable payment arrangements” with the customer instead of requiring prepayment of CIAC before construction begins. [*Id.*] This change will benefit customers, such as governmental entities, that are unable to pay CIAC in advance due to their procurement or purchasing policies. [Tr. 3691] Mr. Williams’ direct testimony describes several procedures that the company plans to put in place to monitor and mitigate risk to the general body of ratepayers associated with the alternative payment arrangements. [Tr. 3692]

In the Prehearing Order, OPC took the position that the Commission should reject this modification unless the full amount of CIAC is credited before the plant is placed in service. At the final hearing, Mr. Williams testified that the entire amount of CIAC is credited as a reduction to rate base as soon as the customer agrees to pay CIAC [Tr. 3814], which appears to resolve OPC’s concern. The proposed change is reasonable, will not harm the general body of customers, and should be approved.



**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?

**TECO:** \*Yes. The proposed modifications are reasonable and should be approved.\*

The proposed modifications to the Economic Development Rider (“EDR”) are reasonable and should be approved. Under Tampa Electric’s current EDR, customers proposing to interconnect a minimum of 350 kW of new load at a single delivery point and employ at least 25 full-time equivalent employees at that location are eligible for a discount to their base demand and energy charges for the first four years. [Ex. 7, MPN J566 to J568]

To remain competitive in attracting new business to its service area, and to recognize that customers are becoming more efficient in terms of electricity usage and labor needs, the company proposes to lower the load and labor thresholds for EDR eligibility to 300 kW and 20 full-time equivalent jobs. [Tr. 3690-3691; Ex. 7, MPN J566 to J567] The company also proposes to add an alternative to the 20-employee threshold of a capital investment of \$500,000 or greater combined with some addition of new full-time equivalent employees. [Ex. 7, MPN J566] The company also proposes to modify the tariff to allow customers to request an extension of the EDR effective date to no more than two years after the company executes a Customer Service Agreement with the customer. [Ex. 7, MPN J568] These changes will allow Tampa Electric to compete for business for the betterment of the local economy and for the customers that Tampa Electric serves. [Tr. 3690-3691]

While FR/L opposes the modifications to the EDR, and to its continuation in any form, they did not submit any testimony or evidence to support rejection of the proposed changes or the existing EDR and the unrefuted evidence shows that the EDR benefits customers in several ways. First, the EDR tariff imposes no cost impacts on the RS, GS, GSLDPR, GSLDU, or LS rate classes,

and only a \$89,106 increase to the GSD rate class revenue requirement. [Ex. 165, MPN E2196] Second, there are eight customers currently enrolled in the company's EDR program. Those customers must have created at least 200 jobs, or 25 jobs per company, to qualify for the program. [Ex. 199, MPN E6018] Third, these participants in the EDR program also created places to go or shop and created incremental tax revenue for local communities. [*Id.*] Finally, attracting business to Tampa Electric's service area also results in additional kWh consumption which, all else being equal, reduces rates for all customers. [Ex. 165, MPN E2199] For these reasons, the Commission should approve the company's proposed modifications to the EDR tariff.

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

**TECO:** \*Yes. The proposed modifications are reasonable and should be approved.\*

Tampa Electric proposes to expand the lighting wattage variance range used to calculate the monthly energy consumption of each fixture from plus or minus 10 percent to plus or minus 25 percent. [Ex. 7, MPN J571] This change will minimize the impact of rapid developments in LED lighting technology. [Tr. 3694-3695] Since this change will benefit lighting customers and no other party presented evidence on this issue, the Commission should approve Tampa Electric's proposed modifications to this tariff and find that they are reasonable.

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

**TECO:** \*Yes. The proposed LS-2 Monthly Rental Factors offers optionality to customers, are reasonable, and should be approved.\*

Tampa Electric's existing LS-2 tariff requires customers to enter into a 20-year agreement with a fixed charge designed to recover the cost of the customer's lighting assets over 20 years. [Tr. 3693-3694] Tampa Electric's lighting customers have expressed an interest in entering into agreements with different term lengths. To meet this customer preference, the company proposes

a change that would allow LS-2 customers to enter into agreements ranging from 1 to 25 years. [Tr. 3694] Instead of a fixed charge based on a 20-year term, the company proposes a rental factor matrix that has rental factors for agreements with lengths from 1 to 25 years. [Id.] This proposed change will meet customer preference without increasing risk to the general body of ratepayers. [Id.] The proposed changes will benefit customers, appears to be uncontested based on the positions in the Prehearing Order, and no party submitted evidence challenging the changes; therefore, the Commission should find that they are fair, just, and reasonable and approve the proposed factors.

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

**TECO:** \*Yes. The proposed termination factors for long-term facilities are reasonable and should be approved.\*

Based on the positions shown in the prehearing order, this issue appears to be uncontested. Tampa Electric presented the calculations used to develop these factors on MFR Schedule E-14b. [Ex. 7, MPN J615 to J616] These changes benefit customers and no party presented testimony or evidence challenging the company's proposed termination factors; therefore, the Commission should find that they are fair, just, and reasonable and approve the company's proposed termination factors.

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

**TECO:** \*Yes. The proposed revisions are reasonable and should be approved.\*

The company has proposed non-rate related tariff modifications to its Budget Billing Program; general liability and customer responsibility provisions; CIAC provisions; EDR; and lighting wattage variance, which are addressed in Issues 85-89.

The company also proposed several other non-rate related tariff modifications, including: (1) refunding deposits back to agencies that pay the required deposit for a customer; (2) correcting a clerical error and making the Bright Choices Outdoor Lighting Agreement available to customers on both the LS-1 and LS-2 rate schedules; (3) aligning the Standard Offer Contract with the new proposed Time of Day periods; and (4) changing the tariff language to eliminate the requirement to execute a separate vault agreement. [Tr. 3692-3696] No party filed testimony or presented evidence opposing these changes. These changes are reasonable, will benefit customers, and no party presented evidence opposing them; therefore, the Commission should find that these changes are reasonable and approve them.

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

**TECO:** \*Yes.\*

The Commission regularly grants Staff the administrative authority to approve tariff modifications made to implement a Commission decision changing rates or charges. *See, e.g.* Order No. PSC-2023-0375-PCO-EI, issued December 19, 2023 in Docket No. 20230020-EI; Order No. PSC-2023-0364-FOF-EI, issued November 29, 2023 in Docket No. 20230010-EI; Order No. PSC-2023-0112-PCO-EI, issued March 24, 2023 in Docket No. 20230001-EI.

### **2026 AND 2027 SUBSEQUENT YEAR ADJUSTMENTS**

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

**TECO:** \*The Commission should consider the projects proposed to be included for cost recovery via an SYA, the projected costs of those projects, the impact those plant additions will have on the company's ability to earn within its authorized range of return on equity, and the extent to which the proposed SYA can mitigate the company's need for successive general rate increases.\*

Tampa Electric agrees with OPC that SYA have been used in the past for large generation projects; however, there is nothing in Section 366.076, Florida Statutes, or the Commission's rules that limits SYA to cost recovery for generation projects. The projects included in the company's proposed 2026 and 2027 SYA (Issues 95 to 102) are major projects, their costs are reasonable and prudent, placing them in service will have a material impact on the company's ability to earn within its authorized range of returns, and including them in the proposed SYA will mitigate the company's need for successive general rate increases; therefore, they should be approved. [Tr. 3352-3353] Tampa Electric understands that it will be accountable to the Commission in a future proceeding if the Commission approves a project for SYA cost recovery and the company does not execute the project as proposed in this case. [Tr. 3635-3636]

**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?

**TECO:** \*Yes. The Future Solar Projects proposed for recovery through SYA are prudent for the reasons explained under Issue 18 and should be included in the 2026 and 2027 SYA without adjustments.\*

The proposed Future Solar Projects are prudent and cost-effective as explained under Issue 18 and their eligibility for SYA cost recovery is shown under Issue 94. The amounts are supported by the Chronister II direct testimony and Exhibit JC-2. [Tr. 3417-3423; Ex. 32, MPN C16-1701 to C16-1702] The Future Solar Projects are major projects, their costs are reasonable and prudent, placing them in service will have a material impact on the company's ability to earn within its authorized range of returns, they are eligible to be included in an SYA, and including them in the proposed SYA will mitigate the company's need for successive general rate increases and should be approved for SYA cost recovery as proposed by the company.

**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?

**TECO:** \*Yes. The proposed GRR projects are prudent for the reasons explained under Issue 19 and should be included in the 2026 and 2027 SYA without adjustments. There is nothing in Section 366.076, Florida Statutes, that limits SYA to cost recovery for generation projects, thus OPC’s proposal to disallow the GRR Projects should be rejected.\*

The proposed GRR Projects are prudent and cost-effective as explained under Issue 19 and their eligibility for SYA cost recovery is addressed under Issue 94.

OPC witness Kevin Mara’s argument that the GRR Projects should be excluded from the SYA because they are routine maintenance lacks merit. None of the GRR Projects are routine maintenance or like-for-like replacement of equipment, and each of the projects will provide new or enhanced functionality. [Tr. 1263] The amounts are supported by the Chronister II direct testimony and Exhibit JC-2. [Tr. 3417-3423; Ex. 32, MPN C16-1701 to C16-1702]

The fact that the GRR projects are largely distribution, not generation, is not relevant, because there is nothing in Section 366.076, Florida Statutes, or the Commission’s rule that limits an SYA to generation projects. The GRR projects should be approved for SYA cost recovery because they are major projects, their costs are reasonable and prudent, placing them in service will have a material impact on the company’s ability to earn within its authorized range of returns, they are eligible to be included in an SYA, and including them in the proposed SYA will mitigate the company’s need for successive general rate increases.

**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?

**TECO:** \*Yes. The Polk 1 Flexibility Project is prudent for the reasons explained under Issue 24 and should be included in the 2026 SYA without adjustments.\*

The proposed Polk 1 Flexibility Project is prudent and cost-effective as explained under Issue 24 and is eligible for inclusion in the SYA as shown in Issue 94. The amounts are supported

by the Chronister II direct testimony and Exhibit JC-2. [Tr. 3417-3423; Ex. 32, MPN C16-1701 to C16-1702] The Polk 1 Flexibility Project is a major project, its costs are reasonable and prudent, placing it in service will have a material impact on the company's ability to earn within its authorized range of returns, it is eligible to be included in an SYA, and including it in the proposed SYA will mitigate the company's need for successive general rate increases and should be approved for SYA cost recovery as proposed by the company.

**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?

**TECO:** \*Yes. The company's 115 MW of Future Energy Storage Capacity projects are prudent for the reasons explained under Issue 20 and should be included in the 2026 and 2027 SYA. The calculation of the company's proposed 2026 SYA should be adjusted as shown in the July Filing, which results in a net revenue requirement decrease of \$1,693,056 for the 2026 SYA.\*

The proposed Energy Storage Projects are prudent and cost-effective as explained under Issue 20 and are eligible for SYA cost recovery as shown in Issue 94. The amounts are supported by the Chronister II direct testimony, Exhibit JC-2 and the revision shown in by the company's July and August filings. [Tr. 3417-3423; Ex. 32, MPN C16-1701 to C16-1702; Ex. 217; Ex. 835] The 115 MW of Energy Storage Projects are major projects, their costs are reasonable and prudent, placing them in service will have a material impact on the company's ability to earn within its authorized range of returns, they are eligible to be included in an SYA, and including them in the proposed SYA will mitigate the company's need for successive general rate increases and should be approved for SYA cost recovery as proposed by the company.

**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?

**TECO:** \*Yes. The Bearss Operations Center is prudent for the reasons explained under Issue 23 and should be included in the 2026 SYA without adjustments.\*

The proposed Bearss Operations Center is prudent as explained under Issue 23 and is eligible for SYA cost recovery as shown in Issue 94. The amounts are supported by the Chronister II direct testimony and Exhibit JC-2. [Tr. 3417-3423; Ex. 32, MPN C16-1701 to C16-1702] The Bearss Operations Center is a major project, its costs are reasonable and prudent, it is eligible to be included in an SYA, placing it in service will have a material impact on the company's ability to earn within its authorized range of returns, and including it in the proposed SYA will mitigate the company's need for successive general rate increases and should be approved for SYA cost recovery as proposed by the company.

**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?

**TECO:** \*Yes. The company's new corporate headquarters project is prudent for the reasons explained under Issue 21 and should be included in the 2026 SYA without adjustments.\*

The proposed Corporate Headquarters Project is prudent and cost-effective as explained under Issue 21 and is eligible for SYA cost recovery as shown in Issue 94. The amounts are supported by the Chronister II direct testimony and Exhibit JC-2. [Tr. 3417-3423; Ex. 32, MPN C16-1701 to C16-1702] The Corporate Headquarters Project is a major project, its costs are reasonable and prudent, placing it in service will have a material impact on the company's ability to earn within its authorized range of returns, it is eligible to be included in an SYA, and including it in the proposed SYA will mitigate the company's need for successive general rate increases and should be approved for SYA cost recovery as proposed by the company.

**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?

**TECO:** \*Yes. South Tampa Resilience Project is prudent for the reasons explained under Issue 22 and should be included in the 2026 and 2027 SYA without adjustments.\*



The proposed STRP is prudent and cost-effective as explained under Issue 22 and is eligible for SYA cost recovery as shown in Issue 94. The amounts are supported by the Chronister II direct testimony and Exhibit JC-2. [Tr. 3417-3423; Ex. 32, MPN C16-1701 to C16-1702] The STRP is a major project, its costs are reasonable and prudent, placing it in service will have a material impact on the company's ability to earn within its authorized range of returns, it is eligible to be included in an SYA, and including it in the proposed SYA will mitigate the company's need for successive general rate increases and should be approved for SYA cost recovery as proposed by the company.

**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?

**TECO:** \*Yes. The Polk Fuel Diversity Project is prudent and should be included in the 2027 SYA without adjustments. The Project will mitigate customer exposure to natural gas price spikes and supply disruptions and is not proposed to be recovered in the 2026 SYA.\*

This project will add the ability to burn liquid fuel at three of the combustion turbines at Polk Power Station. [Tr. 675-676] The project is part of Tampa Electric's continuing effort to improve the efficiency, sufficiency, and adequacy of its facilities. [Tr. 678; 98] At the end of this project, all five combustion turbines at Polk will have dual fuel capability. [Tr. 675-676] This project will help mitigate fuel disruption risk and energy demand in excess of natural gas supply and transportation capability. [Tr. 676-677]

The company explored multiple options for mitigating fuel disruption risk and determined that this project is the most cost-effective option. [*Id.*] The Polk Fuel Diversity Project will benefit customers by mitigating fuel disruption risk associated with events including terrorism, cyberattacks, pipeline failures, extreme weather, and the like. [Tr. 678] The amounts are supported by the Chronister II direct testimony and Exhibit JC-2. [Tr. 3417-3423; Ex. 32, MPN C16-1701 to C16-1702] This project is a major project, its costs are reasonable and prudent, placing it in service will have a material impact on the company's ability to earn within its authorized range of returns,

it is eligible to be included in an SYA, and including it in the proposed SYA will mitigate the company's need for successive general rate increases and should be approved for SYA cost recovery as proposed by the company.

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

**TECO:** \*The Commission should use the overall rate of return approved in Issue 40, which the company believes should be 7.37 percent.\*

The company proposes to use the overall rate of return approved by the Commission for 2025 to calculate the SYA. [Tr. 3421] The 7.37 percent used to calculate the SYA in the company's initial filing should be updated to reflect the Commission's decision on Issue 40.

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

**TECO:** \*No.\*

The Commission should reject OPC's proposed adjustment to impute revenue from general customer growth into SYA calculations for four reasons. First, as noted by Mr. Chronister, revenue from general customer growth will be needed to cover the costs associated with general rate base growth [Tr. 3462-3463]; the revenue requirements for the projects included in the company's proposed SYA are needed to cover the costs of the major rate base additions included in the SYA. [Tr. 3419-3420] Second, to impute incremental revenue into the calculation of the 2026 and 2027 SYA would moderate the benefits of SYA and increase the likelihood that the company will need additional rate relief in those years. [Tr. 3462-3463] Third, imputing revenue from general customer growth would be inconsistent with the method used to calculate the company's previous SoBRA and GBRA. [Tr. 3517] Fourth, the methodology used by OPC witness David Dismukes to project additional revenue for 2026 and 2027 is flawed for the reasons explained in Ms. Cifuentes' rebuttal testimony [Tr. 1511-1520] and Issue 2.

**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?

**TECO:** \*Yes.\*

The Commission should reject OPC's proposal to remove incremental O&M expenses from the SYA, because (1) the O&M expenses at issue for 2026 and 2027 for the SYA projects are project specific and incremental to the O&M expenses included in the calculation of the company's projected 2025 test year NOI and (2) including incremental, project specific O&M expenses in an SYA is consistent with the method used to calculate the revenue requirement for prior Tampa Electric base rate adjustments (i.e., GBRA and SoBRA). [Tr. 3463-3464]

**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?

**TECO:** \*Yes.\*

The direct and rebuttal testimony of Ms. Strickland supports the principle that ITC amortization should be based on the depreciable lives of the assets giving rise to ITC. [Tr. 3183-3184, 3186-3187, 3193-3194, 3197; Tr. 3213-3215] This principle is reflected in the company's position on Issues 10 and 65.

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

**TECO:** \*The Commission should approve SYA for 2026 and 2027 to recover incremental revenues of \$92,373,608 and \$65,473,847, respectively. These amounts have been updated to reflect the impact of the adjustments shown in the July and August Filings and Issue 98 and no income tax gross up on non-equity return capital structure components.\*

The company's revenue requirement calculation for its proposed 2026 and 2027 SYA is explained in the record in the Chronister II direct testimony [Tr. 3421-3422] and shown in Document 5 of Exhibit JC-2. [Ex. 32, MPN C16-1701 to C16-1702] The company revised its "as-filed" calculations as described in its July and August filings. [Ex. 217; Ex. 835] The company's

proposed revised SYA amounts should be updated to reflect the Commission's decision on the overall rate of return and other SYA issues.

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

**TECO:** \*The Commission should apply the incremental 2026 and 2027 SYA revenues approved in Issue 107 on a pro rata basis to the customer, energy, and demand charges for the non-lighting classes approved in Issues 75 through 85.\*

The Commission should apply the incremental 2026 and 2027 SYA revenues approved in Issue 107 on a pro rata basis to the customer, energy, and demand charges for the non-lighting classes approved in Issues 75 through 85. [Ex. 15, MPN J1379] Tampa Electric presented its proposed rates prepared using this method in supplemental MFR E Schedules. [Ex. 15, MPN J1417 to J1468] While the proposed rate design presented in the supplemental E Schedules is based on the 4 CP and full MDS approach used by the company for its proposed rates, the SYA rates should be designed using the cost-of-service methodology approved by the Commission for the company's 2025 increase. [Tr. 3423]

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

**TECO:** \*The 2026 and 2027 SYA should be effective with the first billing cycle in January 2026 and 2027, respectively.\*

The company's position on this issue is supported in the record on pages 61 and 62 of the Chronister II direct testimony. [Tr. 3419-3420]

**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?

**TECO:** \*Yes.\*

This issue appears to be uncontested and the company's position is supported in the supplemental minimum filing requirement schedules filed on April 17, 2024, which reflect the

company's 2026 and 2027 SYA rate design. [Ex. 15, MPN J1375] The approach reflected in the company's position will allow the Commission to consider and approve rates for 2026 and 2027 that reflect the company's most current billing determinants and should be approved. [Ex. 15, MPN J1379]

### **OTHER**

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

**TECO:** \*Yes, with the prospective clarification that normalization will be required for new tax credits if and only if required by the Internal Revenue Code or related tax regulations.\*

The company's proposed Corporate Income Tax Change Provision, like others that have been in effect by agreement since 2013, will provide an efficient regulatory mechanism for addressing corporate income tax changes that may occur after this proceeding is over. [Tr. 3353-3354] To eliminate the ambiguity that gave rise to Issue 64 during the term of the 2021 Agreement, Tampa Electric proposes that the language of the provision reflected in paragraph 11(c)(iv) be clarified prospectively such that normalization will be required for new tax credits if and only if required by the Internal Revenue Code or related tax regulations. As discussed under Issue 113, the fact that provisions like the company's proposed tax mechanism may have only been approved by the Commission as part of a settlement agreement does not mean that the Commission lacks jurisdiction to approve the proposed mechanism outside of a settlement agreement.

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

**TECO:** \*Yes.\*

The company's proposed Storm Cost Recovery Provision, like others that have been in effect by agreement since 2013, will provide an efficient regulatory mechanism for review and recovery of prudent storm damage restoration and recovery costs. [Tr. 3354] As discussed under

Issue 113, OPC's argument that provisions like the company's proposed storm cost recovery mechanism may have only been approved by the Commission as part of a settlement agreement does not mean that the Commission lacks jurisdiction to approve the proposed mechanism outside of a settlement agreement.<sup>19</sup>

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

**TECO:** \*Yes. The company's existing Asset Optimization Mechanism ("AOM") has provided over \$45 million of customer benefits since 2018. Adding capacity release of gas pipeline transportation and renewable energy credit ("REC") sale revenues to the AOM will reasonably incent the company to engage in beneficial transactions that will lower fuel expenses for customers; therefore, the company's proposed AOM should be approved without modifications.\*

Tampa Electric's AOM program is designed to create additional value for Tampa Electric's customers while incenting the company to maximize the gains on power transactions and optimization activities. [Tr. 3126-3127] The program has delivered on that goal by generating over \$45 million in benefits for customers over the last six years. [Tr. 3127] Those benefits are almost four times higher than the benefits under the mechanism that was in place over the prior six years. [Tr. 3165] The AOM has also resulted in increased productivity for the fuel procurement team and better alignment between that team and other functional areas within the company. [Tr. 3166-3167] Based on this record of success, the company believes the Commission should approve the proposed AOM. [Tr. 3127] It is reasonable to make natural gas pipeline capacity releases and the sale of renewable energy certificates ("RECs") eligible activities under the AOM, because doing so will offset an anticipated decrease in economic power purchases, which have declined as the company's generation fleet efficiency increases. [Tr. 3131]

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<sup>19</sup> The FPSC approved an interim storm surcharge for FPL in 2005, and presumably can do so in the future without a storm surcharge mechanism. See Order No. PSC-2005-0187-PCO-EI, issued February 17, 2005, in Docket No. 20041291-EI.

OPC's argument that an AOM is not the proper subject of a base rate case lacks merit. Under Chapter 366, the Commission has broad authority over utility rate-setting. §366.04, Fla Stat.; §366.05, Fla Stat.; §366.06(1), Fla Stat. The AOM plainly involves utility rate-setting, as the customers' share of gains through AOM activities is used as an offset to utility fuel charges and the company's gains are recovered through the fuel charges. [Tr. 3126] Simply because those gains are tracked and flowed through the fuel clause does not somehow deprive the Commission of statutory authority to address Tampa Electric's rates in this proceeding. Furthermore, the original predecessor to the AOM, the incentive mechanism for economic energy sales, was considered in each utility's base rate case. Order No. PSC-00-1744-PAA-EI, issued September 26, 2000 in Docket No. 991779-EI. OPC's argument improperly reads a limitation on the Commission's jurisdiction into Chapter 366, Florida Statutes, that is not there.

OPC's argument that the AOM can only be approved as part of a settlement agreement [Tr. 3149-3151] also lacks merit. Indeed, the Florida Supreme Court recently confirmed both that the Commission has authority to approve mechanisms like the AOM, and that the Commission's authority to approve a settlement is still subject to the rate-setting provisions of Chapter 366.<sup>20</sup> The mere existence of a negotiated settlement agreement does not change the scope of the Commission's statutory authority, and OPC and other intervenors cannot be entering into an agreement grant statutory authority to the Commission to approve something in a negotiated settlement that the Commission cannot approve outside of a settlement.

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

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<sup>20</sup> The Florida Supreme Court recently considered a challenge to the Commission's statutory authority to approve Florida Power & Light Company's "Asset Optimization Incentive" within a settlement agreement and concluded that this argument did not "give[] us a reason to set aside the order under review." *Floridians Against Increased Rates, Inc. V. Clark*, 371 So. 3d 905, fn 2 (2023), which can be reasonably understood to mean that the Court believes that the Commission has jurisdiction to approve an AOM.

**TECO:** \*The Commission should approve the proposed Clean Energy Transition Mechanism (“CETM”) factors shown on pages 10 and 11 of the prepared direct testimony of Ashley Sizemore as updated to reflect the overall rate of return approved by the Commission in Issue 40 to be effective with the first billing cycle in January 2025.\*

The company’s position on this issue is supported in the record by the direct testimony of Tampa Electric witness Ashley Sizemore. The Commission should reject OPC’s proposed energy storage ITC adjustment for the reasons described in the rebuttal testimonies of Mr. Chronister [Tr. 3457-3458] and Ms. Strickland [Tr. 3213-3218] and as discussed in Issue 34; however, the Commission should update the CETM amounts and rates to reflect the overall rate of return approved in Issue 40. FR/L’s position that the CETM should be eliminated is contrary to the order approving the company’s 2021 Agreement, which specifically states that the CETM survives the term of the agreement and that it would be inequitable to terminate the CETM before its cost-recovery functions are complete. [Ex. 31, MPN C16-1503 to C16-1504] FR/L could have participated in the company’s 2021 rate case and objected to the CETM at that time, but FR/L cannot do so now in this proceeding.

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

**TECO:** \*Yes. The proposed new Senior Care Program assists a small population of financially challenged customers and should be approved.\*

Tampa Electric’s proposed Senior Care Program offers a fixed \$10 monthly bill credit to low-income customers aged sixty-five and older. [Tr. 3696] Offering this program is beneficial and a socially responsible practice. [Tr. 477] Offering a discount to low-income seniors reduces the likelihood that they will fall behind on their utility bill and face disconnection of service, which will reduce administrative costs associated with managing delinquent accounts and thereby benefit both participating and non-participating customers alike. [Tr. 478] A \$10 bill credit would both assist eligible participants and keep the impact on non-participants at a reasonable level. [Ex. 165,



MPN E2203] To qualify for the program, a Tampa Electric customer would need to provide a copy of their Medicaid Eligibility Letter or an alternative form of proof of enrollment acceptable to the company, as well as proof of their birthdate. [Tr. 3696-3697] The program will be funded through base rates and all customers will contribute to it. [Tr. 3698; Ex. 208, MPN E7776; Ex. 7, MPN J454] Rates for all rate classes except for the Lighting class would be lower without the program. [Ex. 199, MPN E6021] The Senior Care Program does not impact revenue requirements in the test year. [Ex. 165, MPN E2204]

**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?

**TECO:** \*No. The company's testimony and exhibits demonstrate that Polk Unit 1 and Big Bend Unit 4 provide important fuel diversity, reliability, and flexibility benefits to customers. The company evaluates the roles these units play in its generating portfolio every year as part of the 10-Year Site Planning process, so no further studies or actions like early retirement and loan applications are needed or should be ordered at this time.\*

Tampa Electric should not be required to perform any studies or analysis relating to the retirement of Polk Unit 1 and Big Bend Unit 4 for several reasons. First, as explained under Issues 43 and 44, Polk Unit 1 and Big Bend Unit 4 provide fuel diversity, reliability, and resilience benefits for Tampa Electric's customers and should remain in service. [Tr. 696-698; 701-706] Customers would lose these benefits if the company retired the IGCC components and coal combustion components at Polk Unit 1 and Big Bend Unit 4.

Second, Tampa Electric already performed a retirement study for Polk Unit 1. This analysis showed that conversion of Polk to simple cycle would result in savings of \$166.9 million, while retirement of the unit would only result in savings of \$24.6 million. [Tr. 700; Ex. 159, MPN E2024] No additional study is necessary for Polk Unit 1.

Third, while the company did not perform a formal analysis of retiring Big Bend Unit 4, the company does not need to perform such a study to demonstrate that retirement of Big Bend Unit 4 would be uneconomic. [Tr. 793] This is because replacement of Big Bend Unit 4's coal capacity with natural gas generation would cause customers to incur new expenses, including at least \$27 million per year for additional pipeline capacity expense, [Tr. 378-379; Tr. 793-795] and accelerated cost recovery of the undepreciated net book value of the retired assets. [Tr. 807-808]

Fourth, the record evidence shows that replacement of the combined capacity of Polk Unit 1 and Big Bend Unit 4 with solar and/or battery storage would be uneconomic. The company has already evaluated the level of cost-effective solar generation and energy storage that it could implement in the near term and is seeking cost recovery for those projects in this case. [Tr. 717] These planned resource additions are not sufficient to replace Tampa Electric's coal units. [Tr. 713] The company's generation planning witness, Mr. Aponte, also testified that it would not be cost-effective to replace those assets with additional solar and/or storage. [Tr. 1082-1083]

Fifth, the company has already evaluated the EPA's new Effluent Limitations Guidelines ("ELG") Rule and determined that the company will not incur any incremental expense to comply with those regulations at Polk Unit 1 and Big Bend Unit 4. [Tr. 716] This is because the company has already achieved compliance with the ELG Rule by using underground injection control ("UIC") wells. [Tr. 707-709] This process is permitted through the Florida Department of Environmental Protection's UIC Program. [Tr. 708]

Finally, the company already evaluates its generating portfolio on an annual basis through the Ten-Year Site Plan process. The Commission requires electric utilities to submit an annual "Ten Year Site Plan." *See* R. 25-22.071, F.A.C. These reports address, among other things, the company's forecasted retail load; forecasted energy use; forecasted peak loads; fuel price forecasts;

generation performance and reliability; transmission planning; energy efficiency and conservation; and projected resource additions and retirements. [Ex. 226] Through this annual forecasting and planning process, Tampa Electric continually evaluates its generating portfolio and the most cost-effective way to meet customer demand. [Tr. 372-373]

A preponderance of the record evidence demonstrates that no additional retirement studies are necessary for Polk Unit 1 and Big Bend Unit 4 for several reasons. The Commission should deny Sierra Club's request for these studies and allow the company to continue evaluation of its generation portfolio through the existing annual Ten-Year Site Plan process.

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

**TECO:** \*The company's revised 2025 rates and charges should be approved to be effective with the first billing cycle in January 2025.\*

This issue appears to be uncontested and the company's position is supported on page 8 of the Chronister II direct testimony. [Tr. 3366]

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

**TECO:** \*Yes.\*

The company's Florida Energy Efficiency and Conservation Act ("FEECA") performance is summarized in the prepared direct testimony of Ms. Sizemore. From inception through the end of 2023, the company's energy conservation programs have reduced summer and winter peak demand by 835.4 MW and 1,349.8 MW, respectively, and have saved 1,950.1 GWh of annual energy, which is the equivalent of avoiding the need for over seven 180 MW power plants. [Tr. 3277-3278] FR/L witness MacKenzie Marcelin correctly notes that Tampa Electric "has been meeting, and, in fact, greatly exceeding, all of their energy-efficiency goals as set by the Florida Public Service Commission." [Tr. 2655] Section 366.82(8), Florida Statutes, gives the Commission

power to “authorize financial rewards” for utilities that exceed their conservation goals. The Commission should consider the company’s excellent FEECA performance when it considers the company’s proposed rate increases in this case.

**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?

**TECO:** \*The Commission should consider “affordability” by recognizing that the company promotes affordability by operating in an efficient and cost-effective manner, and by making cost-effective investments that provide moderate fuel and operating costs over the long-term. Florida’s recently changed energy policy does not expressly add “affordability” to the list of factors for the Commission to consider or authorize or direct the Commission to depart from traditional cost of service ratemaking.\*

“Affordability” was a recurring theme in the final hearing. The term is difficult to describe because its meaning varies from person to person and what may be “affordable” varies from household to household. [Tr. 3717-3718] Affordability of utility bills depends on many factors beyond the control of a utility or the Commission, such as: individual perceptions, income levels, financial obligations, spending priorities, and spending decisions. [*Id.*] Two families with the same income and utility bills may view affordability of electricity differently based on their different circumstances. [*Id.*] There is no universally accepted definition or metric for affordability [Tr. 3717]. The term is not defined in Chapter 366, Florida Statutes, or the state’s energy policy, and is not used in Chapter 366, Florida Statutes.

Nevertheless, Tampa Electric has made “affordability” a focus of its planning and operations; however, it is only one of many factors – like safety, security, reliability, resilience, environmental compliance, fuel diversity, employee relations, and community needs – that the company must balance as it provides service. [Tr. 3489] To the company’s credit, its Board of Directors has extensively discussed the topic, which shows the company’s awareness of the issue

and its importance to the company's decision making.<sup>21</sup> [Tr. 230; Ex. 245] The rebuttal testimony of Mr. Chronister recites a long list of strategic, operating, and financial actions the company has taken to promote cost-effectiveness and affordability. [Tr. 3491-3493] As noted by Mr. Collins, the company's O&M spending for the last ten years has grown at less than one-half or one percent. [Tr. 118] On an inflation adjusted basis, the company's residential rates today are unchanged from where they were a decade ago and are 17 percent below the national average. [Id.]

The company proved in this case that it: (1) invests in assets that generate electricity without incurring fuel costs (e.g., Issue 18), (2) continues to install, operate, and maintain generating assets in ways that improve heat rate efficiency (e.g., Issue 24), which means less fuel is consumed to generate more electricity which results in fuel savings, (3) invests in transmission and distribution infrastructure that makes its grid more reliable and resilient (e.g., Issue 19), which moderates T&D operating costs and the costs of restoring power after major storms, and (4) invests in technology and innovative processes that drive down the cost of serving customers (e.g., Issue 16). [Tr. 3491] The company's current Share, Neighborhood Weatherization, and Prime Time Plus programs provide relief for customers having trouble paying their bills or who are interested in conserving energy [Tr. 3720-3722], and it has proposed a Senior Care Program (Issue 115) to help low-income customers 65 and older. [Tr. 3696-3698]

Arguments about energy burden and that compare Tampa Electric's 2023 residential bills to electric bills in other areas of the country should not be persuasive, because they are apples to oranges comparisons. Tampa Electric acknowledges that its 2023 customer bills were higher than usual due to an unforeseen combination of factors beyond its control including record high

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<sup>21</sup> The Commission should not discount the Board's consideration of affordability because the energy burden calculations they were presented turned out to be wrong. [Tr. 219] What's important is that the Board and management are considering affordability.

temperatures and usage, higher than normal natural gas prices, and storm damage cost-recovery. [Tr. 454-455] However, FR/L's comparison of the company's electric bills to electric bills in other parts of the country proves nothing because the comparison does not show the full energy costs of customers in other states and does not consider that customers in many states with lower electricity bills use natural gas or oil, not electricity, for winter heating. [Tr. 3713-3716; 410-411]

Using the company's proposed residential base rates and its January 2024 clause factors, the company's total residential price per kWh is less than the national average. [Tr. 3715] To the extent the US Department of Energy's high energy burden six percent guideline is relevant,<sup>22</sup> Tampa Electric witness Mr. Williams showed in his rebuttal testimony that the intervenors' analyses are flawed and that, contrary to intervenor assertions, the company's historical and proposed residential bills for a two person household would be about 4.5 percent, well below the guideline. [Tr. 3718-3720]

The record clearly shows that making cost-effective decisions promotes affordability over the long term and that Tampa Electric is focused on cost control, cost-effectiveness and affordability. In the absence of statutory direction to do so, the Commission should not entertain intervenor efforts to depart from traditional cost of service ratemaking by changing the Commission's regulatory focus away from cost-effectiveness, prudence, and cost recovery to a subjective and undefined concept like "affordability." Rather, the Commission should acknowledge that the company promotes affordability by (1) operating in an efficient and cost-effective manner, and (2) making cost-effective investments that moderate fuel and operating costs over the long-term.

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<sup>22</sup> Tampa Electric notes that the Commission has not adopted USDOE's energy framework for evaluating affordability, has not been directed to do so by the Legislature, and should not adopt a guideline like that as policy in a rate case involving only one investor-owned electric utility. The Commission should only adopt and apply such a guideline with specific statutory authority to do so and then only through a rulemaking proceeding.

**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?

**TECO:** \*Yes.\*

This issue appears to be uncontested and the company's position is supported in the record by the Chronister II direct testimony. [Tr. 3410]


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

**TECO:** \*Yes.\*

V. **CONCLUSION**

Tampa Electric and its employees are responsible for keeping the lights on and getting them back on when they go out. The company's employees make planning, investing, spending, operating, and financial decisions for the company and its customers in Tampa. Granting the requested rate relief will help the company continue to balance the numerous factors required to provide safe, reliable, resilient, and cost-effective electric service to customers.

Respectfully submitted this 21st day of October, 2024



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## VI. CERTIFICATE OF SERVICE

I HEREBY CERTIFY that copies of the foregoing Post Hearing Brief have been served by electronic mail on this 21st day of October 2024 to the following:

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