

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

DOCKET NO. 20240026-EI

In re: Petition for approval of 2023 depreciation and dismantlement study, by Tampa Electric Company.

DOCKET NO. 20230139-EI

In re: Petition to implement 2024 generation base rate adjustment provisions in paragraph 4 of the 2021 stipulation and settlement agreement, by Tampa Electric Company.

DOCKET NO. 20230090-EI

**FLORIDA RISING’S & LEAGUE OF UNITED
LATIN AMERICAN CITIZENS’ POST-HEARING BRIEF**

The League of United Latin American Citizens of Florida (“LULAC”), and Florida Rising, pursuant to Order No. PSC-2024-0351-PHO-EI, hereby file this Post-Hearing Brief in the above referenced matters.

EXECUTIVE SUMMARY

Tampa Electric Company (“TECO” or “the Company”) has a long-standing history of relying on hard-working residential customers and small businesses to bear the burden of its costs. It has created a system where the main cost-causers are not the cost-payers, but rather the opposite. The 2021 settlement exacerbated this problem by shifting costs from large industrial and commercial customers to residential customers and small businesses. Not only were residential customers left on the hook paying some of the highest bills in the nation, but Emera Inc., TECO’s Canadian parent company, has made it clear that it sees TECO as its money-maker. Residential customers should not be subsidizing the cost of any utility company, let alone a foreign one, nor should they be subsidizing TECO’s largest and wealthiest customers as they

have been. This rate case filing proposes to continue this trend, and TECO, its parent company, and TECO's largest commercial and industrial customers should be made to pay their fair share.

Through this case, TECO proposes to burden residential customers and small businesses even more to extract the excessive profits that TECO's Canadian owners are not allowed to make at home in Nova Scotia. Their proposal also subsidizes the largest and most profitable companies through artificially low rates and gratuitous bill credits to the tune of tens of millions of dollars premised on curtailments that very rarely occur (once in the last five years). TECO's residential customers pay the third highest residential electricity bills in the nation of utilities with over 100,000 residential customers, creating an affordability crisis that even TECO has started to recognize, even though TECO now proposes a massive rate increase that will only worsen the crisis. Florida Rising and LULAC plead for the Commission to reject this proposed rate base increase, and instead order the cost-causers, such as TECO's large industrial customers, to pay their fair share.

The 2021 settlement agreement was reached that determined the allocations made were cost-causative and obliged TECO to support a 4CP with MDS methodology in this rate case. This has led to all generating power plants and associated facilities, including part of TECO's new headquarters and operations center, including all solar projects and generation efficiency projects, being allocated to the rate classes based on 4 projected coincident class peaks in 2025 for the months of January, June, July, and August, and none allocated on an energy basis. This hypothetical January peak bears no relation to the actual peaks TECO is experiencing, and the peaks in May and September can be just as high as those experienced during June through August. To make matters worse, none of TECO's fossil or solar generation investments in this case are being made to meet those hypothetical peaks. Not a single piece of

evidence was presented showing that any of the fossil or solar generation investments, and certainly not Big Bend dismantlement costs or new headquarters costs, are being made because of the 4 hypothetical peaks at issue in the 4CP cost of service study. The 4CP cost of service study is only being promoted because it shifts costs away from TECO's biggest and wealthiest industrial customers onto residential customers and small businesses, creating the affordability crisis that now exists for TECO's residential customers and small businesses.

As discussed below, TECO's investments are being made for their energy, i.e., fuel savings, and thus, under a cost-causation principle, those costs should be allocated on an energy basis. Cost-causers should be paying their fair and proportional share – this would result in just and reasonable rates. Florida Rising and LULAC's proposed cost of service study of 12CP and 50% AD, on the other hand, is more indicative of TECO's actual realized peaks, and provides a breakdown that is even quite conservative, because it *only* assigns a 50% weight to energy, despite *all* of TECO's solar and fossil generation investments being made for their energy value. Duke Energy Florida supported a similar 12CP and 25% AD Cost of service study in their rate case given the amount of solar on their system and diminishing capacity value of standalone solar assets. TECO has even more solar proportionally on their system, and their cost of service should be made to reflect that.

If taking on the majority of the costs without any justification was not enough of a burden on residential customers and small businesses, this rate increase proposal is also asking them to pay tens of millions of dollars per year to the largest companies and users of electricity to be “interruptible,” with such interruption occurring only *once* in the last five years in the month of November. And, putting to bed that the 4CP months of January, June, July, and August are the months driving TECO's system need, that interruption occurred in November of 2023, again

demonstrating that TECO needs to plan its system to meet needs for all 12 months of the year, and therefore residential customers should not bare such a disproportionate burden of paying for the system.

Nor should the minimum distribution system methodology (MDS) be given any consideration. Customers should not pay for hypothetical transformers and poles that do not exist on TECO's system based on a hypothetical construct. They should pay for the actual wires and meters that are directly related to customers being on the system, and to the extent they have use of the distribution system for their energy demands, those costs should be allocated based on those energy demands. Again, *actual* cost causers should pay the costs of their actual energy demand on the system.

Because the 2021 settlement burdened so much of the last rate increases on residential customers and small businesses, who already pay far more than their fair share under any reasonable cost of service study, the status quo going into this rate case is highly skewed against residential customers. Thus, even if residential customers get a less-than-system-average increase under 4CP with MDS, gradualism, which caps rate class increases at 1.5 times the system average increase and redistributes anything above that cap to other classes, places even more of a burden on residential customers and small businesses. Not only is such a practice and procedure found nowhere in Florida statutes or rules, its application in this case would also produce an outrageous result because gradualism ignores the historic and ongoing overburdening of residential customers and small businesses. Given a system where residential customers and small businesses currently pay far more than their fair share and large commercial and industrial customers currently pay far less than their fair share due to their 2021 sweet-heart deal, gradualism says: "it would be unfair to phase out those huge subsidies that the commercial and

industrial classes receive from the residential class too quickly.” Instead, gradualism would require residential customers and small businesses to keep paying more than their fair share simply because the largest, most profitable businesses previously got away with tipping the balance so heavily in their favor. In other words, because residential and small business customers have been paying large subsidies to the largest commercial and industrial customers, they should continue to do so, lest the largest commercial and industrial customers come to pay their fair share too quickly. This proposition that the only fair way to deal with an unfair allocation is to continue it is as ridiculous as it sounds and finds no basis in Florida law.

HB 1645 made affordability and cost-effectiveness cornerstones of state energy policy. This aspect of the legislation couldn't come soon enough, as Floridians face an electricity affordability crisis, with our residential electric bills rising to fourth highest in the nation in 2023. TECO is a chief offender of this, having the third highest residential bills in the entire nation for utilities with more than 100,000 customers, edged out only by a Hawaii utility and Connecticut. Nothing in Florida law says that Floridians should have high electric bills imposed on them to fund the profits of a foreign company who sees our hard-working families as a captive golden goose from which to extract all the golden eggs they can carry back to Nova Scotia. But that is precisely what Emera is doing to Floridians and Tampa-bay residents. As Emera said a few weeks before the hearing, the profits they are reaping from their Florida customers, who make up just a small slice of their customer-base but a majority of their profits, “underscores the significance of our Florida operations and reinforces the strategic decision to reallocate capital to invest in our strongest businesses.”¹

¹ Exhibit 543, MPN F3.1-2515.

In other words, there is no analysis showing Emera needs to be investing all of these billions of dollars into TECO's rate base, but rather they expect a pliant Commission will approve all of their rate-base additions and an extremely inflated ROE of 11.5% that they would not dream of seeking back home, all without asking the questions of whether those investments are cost-effective and affordable, banking on the idea that a "constructive" regulatory environment will be enough to avoid the scrutiny required by Florida law. This high ROE is also not a common practice in Florida.

HB 1645 specifically adds to our official state energy policy that consideration of cost-effectiveness and affordability are paramount concerns.² TECO's rate case fails both tests, adding billions of dollars of rate base in unnecessary upgrades to their own headquarters and grid enhancements that will do little to improve the customer experience. TECO is making all of the Florida investor-owned utilities look bad, like all they want to do is squeeze their customers, but as we saw with the recent Duke Energy Florida settlement that approved a 10.3 ROE, that's not true.

In sum, TECO should be sent home without its rent-seeking profits and the industrials home without any more subsidies. The residential and small-business customers have already paid far more than their fair share, and it is the Commission's duty to rectify these unjust rates. It is time TECO and Florida's largest electricity users learn how to support themselves without leaning on Florida's most vulnerable and hard-working families and small businesses for free windfalls. It's time for affordable energy.

² Ch. 2024-186, § 9, Laws of Fla.

STATEMENT OF ISSUES AND POSITIONS

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

POSITION: *Yes, with adjustments.*

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

POSITION: *No. As discussed further below, TECO consistently over forecasts the month of January for KW sales (especially from the residential class) and under forecasts kWh sales for the summer months.*

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

POSITION: *Assumptions used for forecasting customer growth should include Hillsborough County population estimates, among other variables. Inflation continues to come down and should be assumed to be approximately 2%. Energy sales growth assumptions must not rely on 20-year normalized weather patterns, but should assume that the increasing heat that the Tampa-area is experiencing from climate change will continue to get worse. Customer growth should be assumed to continue at approximately at least 1% per year.*

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

POSITION: *No. Per the customer service hearings and customer correspondence submitted in the docket, there is significant room for improvement in both the reliability of TECO's service for certain customers, and certainly in the cost of TECO's service for all of TECO's residential and small business customers.*

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

POSITION: *Yes. The depreciation rates should be revised to reflect the presently approved service lives for solar assets. The provision for dismantlement should be reduced to remove post-test year escalations of estimated costs, reduce estimated solar site restoration costs, and reflect longer service lives for solar and battery assets.*

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

POSITION: *January 1, 2025.*

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

POSITION: *A 20-year service life should be used for Battery Energy Storage System (BESS) assets. A 35-year service life should be used for solar assets. For the depreciation rates for each depreciable plant account, adopt OPC position.*

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?

POSITION: *The Commission has not deemed any specific depreciation rates as appropriate yet, and therefore we cannot calculate the resulting imbalance. That being said, a 35-year depreciation life for solar assets should be used, and a 20-year depreciation life for battery assets.*

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

POSITION: *Remaining life technique.*

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?

POSITION: *Yes, although the flowback of ITCs should be accelerated.*

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

POSITION: *\$10,325,056, adjusted to reflect removal of projects that should be disallowed as per the other issues.*

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

POSITION: *The Commission should limit the dismantlement expense to costs escalated only through the test year and exclude all forecast growth in the dismantlement cost and expense beyond the end of the test year.*

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?

POSITION: *No. Plant in Service, Accumulated Depreciation, and Working Capital should be adjusted to reflect the removal of at least the following projects from TECO's proposed rate base: Future Environmental Compliance; Research and Development; Customer Experience Enhancement; Information Technology Capital; Grid Reliability and Resilience; Corporate Headquarters; South Tampa Resilience; Bearss Operation Center; and Polk 1 Flexibility.*

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?

POSITION: *No, TECO has not met its burden to show this project is in the customer interest and is reasonable and prudent, and should be rejected for the reasons explained in the brief.*

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?

POSITION: *No, TECO has not met its burden to show that these projects are in the customer interest and are reasonable and prudent, and should be rejected for the reasons explained in the brief.*

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?

POSITION: *No, TECO has not met its burden to show that these projects are in the customer interest and are reasonable and prudent, and should be rejected for the reasons explained in the brief.*

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?

POSITION: *No, TECO has not met its burden to show that these projects are in the customer interest and are reasonable and prudent, and should be rejected for the reasons explained in the brief.*

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

POSITION: *Yes, as long as TECO can show the projects are cost-effective. Any costs associated with these projects that TECO cannot demonstrate are prudent and reasonable should be removed from rate base thus adjusting rate base downward.*

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?

POSITION: *No, TECO has not met its burden to show that these projects are in the customer interest and are reasonable and prudent, and should be rejected for the reasons explained in the brief.*

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

POSITION: *Yes, as long as TECO can show the projects are cost effective. Any costs associated with these projects that TECO cannot demonstrate are prudent and reasonable should be removed from rate base thus adjusting rate base downward.*

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

POSITION: *No, TECO has not met its burden to show that this project is in the customer interest and is reasonable and prudent, and should be rejected for the reasons explained in the brief.*

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?

POSITION: *No, TECO has not met its burden to show that this project is in the customer interest and is reasonable and prudent, and should be rejected for the reasons explained in the brief, including that this is a project to provide back-up power to the Air Force at the expense of TECO's ratepayers and that TECO did not use a proper base case in its cost-effectiveness analysis.*

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?

POSITION: *No, TECO has not met its burden to show that this project is in the customer interest and is reasonable and prudent, and should be rejected for the reasons explained in the brief.*

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?

POSITION: *No, TECO has not met its burden to show that this project is in the customer interest and is reasonable and prudent, and should be rejected for the reasons explained in the brief.*

- ISSUE 25:** What amount of Plant in Service for the 2025 projected test year should be approved?
- POSITION: *The appropriate amount of Plant in Service for the 2025 projected test year will fallout from the resolution of other issues, but no more than \$12,774,719.*
- ISSUE 26:** What amount of Accumulated Depreciation for the 2025 projected test year should be approved?
- POSITION: *TECO's requested accumulated depreciation amount should be adjusted to reflect removal of the projects that should be disallowed.*
- ISSUE 27:** What amount of Construction Work in Progress for the 2025 projected test year should be approved?
- POSITION: *\$0.*
- ISSUE 28:** What amount of level of Property Held for Future Use for the 2025 projected test year should be approved?
- POSITION: *\$0.*
- ISSUE 29:** What amount of unfunded Other Post-retirement Employee Benefit (OPEB) liability and any associated expense should be included in rate base?
- POSITION: *\$0, as it should not be included in rate base where a return on equity is earned.*
- ISSUE 30:** What level of TECO's fuel inventories should be approved?
- POSITION: *\$0. TECO should not be using coal or other fuels that require inventory given the higher cost of solid fuels.*
- ISSUE 31:** What amount of Working Capital for the 2025 projected test year should be approved?
- POSITION: *The Working Capital should be adjusted to remove the Unamortized Rate Case Expense and should be adjusted to reflect other adjustments that have been made.*
- ISSUE 32:** What amount of rate base for the 2025 projected test year should be approved?

POSITION: *Approximately \$8,041,526. The rate base should be reduced to reflect the removal of the following projects from 2025 rate base: Future Environmental Compliance; Research and Development; Customer Experience Enhancement; Information Technology Capital; Grid Reliability and Resilience; Corporate Headquarters; South Tampa Resilience; Bearss Operation Center; and Polk 1 Flexibility.*

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

POSITION: *Adopt OPC position.*

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?

POSITION: *The ITCs should be flowed back to customers over a ten-year period. The appropriate cost rate is zero, as TECO already receives a return on investment for the capital expenditures associated with the battery assets.*

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?

POSITION: *\$99.195 million.*

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?

POSITION: *The Commission should approve a short-term debt amount adjusted downwards to account for a reduced rate base and adjusted upwards for the adjusted 50-50 equity-to-debt ratio. A cost rate of 3.90% should be approved.*

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?

POSITION: *The Commission should approve a long-term debt amount adjusted downwards to account for a reduced rate base and adjusted upwards to account for a 50-50 equity-to-debt ratio. A cost rate of 4.53% should be approved.*

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

POSITION: *43.41% to reflect a 50-50 equity-to-debt ratio.*

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?

POSITION: *9.50%.*

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?

POSITION: *The Commission should approve a 50-50 equity-to-debt ratio. The weighted average cost of capital should be adjusted to account for downward rate base adjustments and the adjusted equity-to-debt ratio.*

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

POSITION: *No. TECO continues to under forecast revenues based on its summer sales projections that fail to account for climate change.*

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

POSITION: *This is largely a fallout issue from other issues. Total operating revenues to be approved should be adjusted to reflect the disallowance of TECO's proposed projects as specified in other issues and should also be adjusted to reflect a more accurate projection of kWh sales.*

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?

POSITION: *Adopt Sierra Club position.*

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?

POSITION: *Adopt Sierra Club position.*

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

POSITION: *The generation O&M expense for the 2025 test year should be normalized by averaging the actual expense incurred from 2019 through 2023 and the budget and forecast expenses for 2024 and 2025. This results in a \$12.392 million reduction in 2025 planned generation maintenance expense. The generation O&M expense should also be reduced by about \$2.6 million to account for the removal of the following projects from rate base: South Tampa Resilience; Polk 1 Flexibility.*

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

POSITION: *TECO's requested transmission O&M for 2025 should be reduced to reflect disallowance of Grid Reliability and Resilience Projects.*

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

POSITION: *TECO's requested distribution O&M for 2025 should be reduced to reflect disallowance of Grid Reliability and Resilience Projects.*

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

POSITION: *No position.*

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

POSITION: *No position.*

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

POSITION: *No position.*

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

POSITION: *No position.*

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?

POSITION: *No position.*

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

POSITION: *Incentive compensation that exceeds the amount of compensation that the top public officers of the state receive should be paid by shareholders, not ratepayers. The amount of salaries and benefits should be reduced to reflect shareholder payment of at least 50 percent of incentive compensation for 2025. Should be less than \$359.77 million.*

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?

POSITION: *No. The Commission should reduce the pension and OPEB expense to reflect capitalization credits, resulting in a reduction of \$0.489 million in revenue

requirement in pension expense and a reduction of \$0.806 million in the revenue requirement for the reduction in OPEB expense.*

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?

POSITION: *A Revised Modified Massachusetts Model (MMM) should be used to allocate affiliate costs and charges using the following inputs: (1) Operating Assets factor; (2) Revenue factor; and (3) Headcount factor. The Revised MMM Rate for TECO should be 67.62%, a 4.96% reduction from TECO's proposed rate. In total, TECO's Shared Service expense should be reduced by \$5.50 million from TECO's 2025 Budget amounts.*

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

POSITION: *The Directors and Officers (D&O) Liability Insurance expense should, at least, be shared equally between customers and shareholders (if not borne entirely by shareholders), resulting in a \$0.151 million reduction in the D&O Liability Insurance expense.*

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

POSITION: *\$0.*

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

POSITION: *\$0, as this rate case was not for customers, but rather at the behest of Emera.*

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

POSITION: *O&M expense should be adjusted to reflect the removal of O&M expenses as specified in Issues 43-58.*

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

POSITION: *Adopt OPC position and then adjusted to reflect the disallowance of projects that do not belong in rate base as reflected in other issue positions.*

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

POSITION: *Adopt OPC position.*

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

POSITION: *Adopt OPC position.*

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

POSITION: *For 2025, TECO should immediately flow Production Tax Credits to its customers. The costs should also be flowed back to customers on a capacity basis. If the Commission adopts 50% AD, then costs should flow back as 50% energy and 50% capacity.*

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?

POSITION: *The Production Tax Credits (PTCs) that were deferred in 2022-2024 totaling \$0.460 million should go to customers by adding the deferred carrying costs calculated at the allowed return from the prior case to the regulatory liability. The amortization period should be three years.*

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?

POSITION: *The Investment Tax Credits (ITCs) should be treated as if TECO elected and will continue to elect out of normalization requirements. The Commission should also direct TECO to defer the ITCs each year and amortize the deferred ITCs over a ten-year amortization period.*

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

POSITION: *Adopt OPC position.*

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

POSITION: *This is largely a fall out issue. The Net Operating Income for the projected 2025 test year should reflect all of Florida Rising's and LULAC's recommended adjustments.*

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?

POSITION: *The revenue expansion factor and net operating income multiplier should be adjusted to reflect a 50-50 equity-to-debt ratio.*

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

POSITION: *\$0. The Commission should deny TECO's requested rate increase.*

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

POSITION: *Adopt OPC position.*

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

POSITION: *The Twelve Coincident Peak and 50% Average Demand cost allocation methodology.*

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

POSITION: *The Twelve Coincident Peak cost allocation methodology.*

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

POSITION: *The Twelve Coincident Peak cost allocation methodology.*

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

POSITION: *Changes in the revenue requirement should be allocated among customer classes using a Twelve Coincident Peak and 50% Average Demand methodology.
“Gradualism,” invoked to continue a transfer of wealth from residential and small businesses to the largest commercial and industrial customers, finds no basis in Florida law and should not be used.*

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

POSITION: *No.*

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)?

POSITION: *TECO’s proposed initial connection charge and all proposed reconnection service charges for residential customers should be reduced by 80%.*

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

POSITION: *Yes.*

ISSUE 78: What are the appropriate basic service charges?

POSITION: *TECO's basic service charge for residential customers should be no more than \$0.43 per customer per day or no more than \$13.08 per customer per month for residential customers.*

ISSUE 79: What are the appropriate demand charges?

POSITION: *The appropriate residential energy and demand charge should be no more than 8.59 cents/kWh for the first 1,000 kWh and no more than 9.52 cents/kWh for all additional kWh of usage and reduced to reflect the reduced rate base from the disallowance of TECO's proposed investments as reflected in other issues.*

ISSUE 80: What are the appropriate energy charges?

POSITION: *The appropriate residential energy and demand charge should be no more than 8.59 cents/kWh for the first 1,000 kWh and no more than 9.52 cents/kWh for all additional kWh of usage and reduced to reflect the reduced rate base from the disallowance of TECO's proposed investments as reflected in other issues.*

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

POSITION: *No position.*

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

POSITION: *Even though the rate increase should be denied, these rates should be increased to reflect a 12CP and 50% AD cost of service.*

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

POSITION: *Yes.*

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

POSITION: *Yes.*

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

POSITION: *No, although other modifications should be made.*

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?

POSITION: *No.*

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

POSITION: *No.*

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?

POSITION: *No, the entire Rider should be stricken.*

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

POSITION: *Yes.*

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

POSITION: *No position.*

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

POSITION: *No position.*

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

POSITION: *No.*

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

POSITION: *No.*

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

POSITION: *SYAs, if ever authorized, should be based on very specific, large, usually singular, generation investments. These SYAs should not be approved. If the Commission does approve an SYA, the Commission should apply the factors proposed by OPC to establish a framework, limitations, guidance, and customer protections when assessing which projects and costs, if any, should be included in an SYA.*

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?

POSITION: *If the SYA is approved, then yes, with the following solar-specific adjustments: a 35-year service life of the assets; use of a 9.50% ROE.*

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?

POSITION: *No.*

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?

POSITION: *No.*

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?

POSITION: *If the SYA is approved, yes, with the following battery-specific adjustments: a 20-year service life of the assets; reflection of the assets as cost-free capital in the cost of capital applied to rate base; use of a 9.50% ROE. A ten-year ITC amortization period should also be used.*

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?

POSITION: *No.*

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?

POSITION: *No.*

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?

POSITION: *No. As admitted by TECO, the South Tampa Resilience Project is not needed for reliability in the 2025-2027 timeframe and the cost-effectiveness results to show it is economic are infected by the deferral of a combustion turbine that, thanks to other plant additions, would not actually have been added or deferred by whether the South Tampa Resilience project goes forward.*

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?

POSITION: *No.*

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

POSITION: *If the Commission approves the SYAs, the rate of return should be adjusted to reflect the reduced rate base and adjusted capital structure.*

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

POSITION: *If the Commission approves the SYAs, then yes. The 2026 SYA should be reduced by \$7.994 million, and the 2027 SYA should be reduced by \$6.123 million to reflect additional revenues due to customer growth.*

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?

POSITION: *No.*

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?

POSITION: *Yes.*

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

POSITION: *\$0.*

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

POSITION: *If the Commission approves the SYA, then 12 CP & 50% AD should be used to allocate the increased revenue requirement.*

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

POSITION: *Never. If the Commission approves the SYAs, then January 1, 2026, and January 1, 2027.*

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?

POSITION: *Yes, if the Commission approves the 2026 and 2027 SYAs.*

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

POSITION: *No. Florida Rising and LULAC adopt OPC’s arguments on this issue.*

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

POSITION: *No. Florida Rising and LULAC adopt OPC’s arguments on this issue.*

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

POSITION: *No. Florida Rising and LULAC adopt OPC’s arguments on this issue.*

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

POSITION: *The Clean Energy Transition Mechanism should be discontinued, but at the very least, there is no basis for allocating it using a 4CP cost of service methodology (it obviously does not increase capacity) and at the very least should use a 12CP and 50% methodology to calculate the factors.*

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

POSITION: *No. TECO does need to care for its seniors and low-income customers, but this program is not the way to do it. A reasonable cost of service and revenue requirement would lower electric bills for these customers (and all customers) far more than \$10, without then having even higher bills for all residential customers to provide a credit to a small-slice of the customers that need relief.*

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?

POSITION: *Yes. Florida Rising and LULAC adopt Sierra Club’s arguments on this issue.*

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

POSITION: *No effective date should be applicable because the Commission should deny TECO’s petition for rate increase. If the Commission does not outright deny the petition, then January 1, 2025.*

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

POSITION: *No, not at this time. However, the Commission has a duty to consider these statutes. The Commission should consider TECO's performance adequate, but since TECO does minimal energy efficiency as compared to national standards, no adjustments are warranted.*

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?

POSITION: *Pursuant to section 377.601(2)(a), Florida Statutes, the state's energy policy must be guided by the goal of "[e]nsuring a cost-effective and affordable energy supply." As shown at the hearing and service hearings, TECO's customers are facing an affordability crisis caused by their skyrocketing electricity bills. All investments TECO is making must be carefully weighed against the harm they will cause via higher bills.*

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?

POSITION: *No, because TECO's petition for rate increase should be denied. If the Commission does not outright deny the petition, then yes.*

ISSUE 121: Should this docket be closed?

POSITION: *Yes, after the Commission denies TECO's petition for rate increase.*

STANDARD OF REVIEW

It is TECO's burden, by the preponderance of the evidence, to show that the investments it is making are prudent and will actually be used and useful in the public service. *See* § 366.06(1), Fla. Stat. The ultimate rates must be fair, just, and reasonable. Additionally, in setting the rates for each customer class, "the commission shall, to the extent practicable,

consider the cost of providing service to the class, as well as the rate history, value of service, and experience of the public utility; the consumption and load characteristics of the various classes of customers; and public acceptance of rate structures.” *Id.*

ARGUMENT

I. TECO’s Rate Increase and Cost of Service Allocation Places an Unfairly Disproportionate Burden on Residential Customers Who Are Already Struggling to Pay Their Bills

As a result of the 2021 settlement, as recognized by TECO’s own documents, their residential customers face an affordability crisis, with a 55 percent increase in rates in a three-year period. TR 308; Exhibit 780, BS³ 7024.⁴ TECO had the third highest residential electricity bills in the nation in 2023 of electric utilities with more than 100,000 residential customers. TR 307; TR 2652; TR 3768. And, according to their own analysis, 54% of the bill is the “controllable” part of the bill, which “may grow to 67 percent by 2028.” TR 310; Exhibit 780, BS 7024. This continues a trend, where from 2010 through 2023, customer growth was at a rate of 1.7% per year, but rate base growth was at a rate of 7% per year. TR 318; Exhibit 750, P 2. As an approximation, \$1 billion of capital expenditures equates to \$7.50 in additional cost on the average customer bill. TR 319; Exhibit 750, P 8. In other words, TECO’s rate base is out of control. For example, TECO insists on continuing to use a 20% reserve margin (and even then, greatly exceeding it, as discussed later), even though TECO has not done any kind of recent analysis showing that if it went below a 20% reserve margin that rolling blackouts from

³ Lengthy confidential exhibits cite to the Bates Stamp (“BS”) number on the page.

⁴ References to testimony will be in the form of “TR XX” and references to exhibits will be in the form of “Exhibit XX, MPN YYYY” where YYYY corresponds to the master page number found in the official exhibits, except for confidential exhibits that do not have assigned a master page number, in which case the natural page number of the exhibit will be used unless the BS number is used.

insufficient generation are more likely to occur. TR 1033. Part of the issue is that TECO does not conduct any loss of load probability studies, which would measure the reliability of the generation portfolio to determine the chance of not meeting load (i.e., why we have generating plants) to actually determine the loss of load risk for its system, TR 1034; Exhibit 545, MPN F3.1-2651, making it impossible to determine the actually appropriate reserve margin and proper level of generation.

TECO's 2023 bills were directly attributable to, among other things, "new base revenues." TR 311; Exhibit 780, 7024. With TECO's proposed rate increase, the 1,000 kWh residential bill is expected to go right back to about \$161 per month, just as it was in 2023. TR 179. If fuel prices increase or there is a storm (like Hurricanes Milton and Helene) that requires recovery from customers, TECO's residential bills will be even higher than they were in 2023. TR 183–184. Given that TECO just filed a document in this case noting "the significant damage to Tampa Electric's system from Hurricanes Helene and Milton," Tampa Electric Company's Response to OPC's Amended Motion for Extension of Time to File Post-Hearing Brief at 1 (DN 09509-2024), it seems evident that there will be additional storm recovery costs to the tunes of many millions of dollars, sending expected bills for 2025 above that of 2023. In June of this year, the Commission approved recovery of almost \$135 million in storm restoration costs for TECO for named storms in the 2018-2022 hurricane seasons, which did not include any direct hits on the Tampa-bay region. *In re: Petition for recovery of costs associated with named tropical systems and replenishment of storm reserve, by Tampa Electric Company*, Order No. PSC-2024-0190-FOF-EI at 7 (Fla. Pub. Serv. Comm'n, June 13, 2024). Given that almost any addition would tip 2025 residential bills higher than 2023 under TECO's proposed rates, it seems almost assured that 2025 residential bills, should TECO's request (include revenue allocation

amongst the classes) be granted, will be the most unaffordable bills ever for TECO's residential customers.

Additionally, customer satisfaction has dropped significantly. TR 189. Rate-based growth continues to vastly outpace the TECO customer count growth at a rate of 10% versus 2% per year. TR 194. As TECO's own documents acknowledge, "as rates increase, more customers face energy poverty." TR 217; Exhibit 446, MPN F2.3-8166. Although confidential (and claimed to be wrong because of the mismatch of the year of income data and the year of rates, although it is doubtful such data could ever perfectly align), the number of TECO's Hillsborough County customers that TECO found are likely experiencing energy poverty is undeniably significant. Exhibit 446, MPN F2.3-8166. As TECO acknowledges, "[h]igh utility bills, on top of other household inflationary costs, puts stress on customers and leads to higher bad debt expense and increases the frequency of disconnections, which can lead to social pressure." TR 296; Exhibit 245, MPN F2.1-4158. Such affordability concerns are, of course, not confined to TECO's Hillsborough County customers, with TECO's Polk County residents also expressing concerns regarding the cost of electricity, with affordability being one of the most important concerns for TECO's Polk County residential customers. TR 321; Exhibit 780, BS 7820. As a result, TECO has been experiencing lower customer satisfaction among residential customers than it has in the past, at least partially attributable to price satisfaction. TR 322. TECO itself has found that there is a "direct correlation" between "increasing rates and decreases in federal funding" and "increase in bad debt expense." TR 323; Exhibit 781, BS 8087.

As a result, TECO's residential customers have been suffering. The customer service hearings and over a thousand written customer comments, Exhibit 832, were replete with testimony from customers being crushed by high electric bills that resulted from the 2021

settlement shifting disproportionate costs onto residential customers, which, as a result of the 2021 settlement, TECO proposes to continue to do. Florida faces an affordability crisis between increasing housing and property insurance costs while there has been little increase in income. TR 2655. Increasing electricity bills mean that individuals have to choose between paying for the bare necessities of survival, like keeping the power on or paying for rent, groceries, and/or medical supplies. TR 2655. Unjustly shifting disproportionate costs onto residential customers and small businesses, when those customers are not causing those costs to be incurred (as discussed below), is the opposite of sound policy and is in violation of Florida law that requires the Commission to attempt to assign costs to those that cause the costs. TECO's ballooning rate base is also unjustified and needs to be closely scrutinized, and, as discussed below, does not withstand close scrutiny.

TECO's rate base increase proposes a 19.78% increase, most of which (over 61%) will fall onto residential customers under the company's proposed cost of service allocation method. Exhibit 7, MPN J419.⁵ Since the filing of this rate case, multiple public service hearings were held at the Commission regarding this proposed rate increase.⁶ TECO ratepayers themselves showed up and shared their stories of how high electricity bills have been affecting their lives, and how much they were struggling to keep the lights on. *See, e.g.*, Transcript of June 13, 2024 Service Hearing (DN 07426-2024). The vast majority of those who spoke were against the rate increase. Some of the testimony was particularly illuminating and deserves a response.

This is going to be life-changing for many people. Unjust. And is TECO going to set up a tent, a tent housing for all those people who are going to lose their homes? And think about that. Think about if you can't pay your electric bill.

⁵ To calculate percent going to residential customers, divide \$179,272,000 (RS increase) by \$293,627,000 (total proposed increase).

⁶ Customer service hearings were held June 6, 2024 (virtual), June 11, 2024 (virtual), and June 13, 2024 (Brandon, FL).

Think about if you can't pay your food bill, if you can't pay your medical bill. This is really a much larger impact.

Id. at 36.

[O]ne of the things that I do on a pro bono basis is work with customers that are having to make daily decisions about whether to have electricity to cook and have a life or whether to be able to have food.

Id. at 38.

I have a neighbor right now that cannot afford to run her AC due to illness and the huge monthly cost for her medicine. . . . I often try to help with lowering my bill. With this increase to the base rate and the fixed customer charge, I lost some of that control, just like my neighbor.

Id. at 40.

I am a mother of six on a fixed income. Each month, I have to decide if I – if I am going to pay my rent and food or pay my TECO bill. The amount of money TECO is charging us as a consumer is more than my car payment, my car insurance, my medical needing, my food and other necessary for my family, and this is outrageous to me, as a mother of six. And I just think that this is unfair. I think that enough is enough. TECO needs to stop with the lies and get it together. . . . This year, I couldn't even afford a birthday party for my three children that has their birthdays in March. I have to now depend on family and ask for extra money, because my TECO bill is extremely high. . . . I want to assure you that, as a mother of six, sometimes I have to pinch from my rent money, from my car payment, from my daycare, from my medical expenses to provide for my family to make sure I pay my TECO bill, because it is a must that we have the lights, just like it is a must that we have the roof over our head, as I can't go and stay with anyone with six children.

Id. at 49-51.

I am struggling to pay my light bill as well. As a single mom just recently got divorced, it is hard to tell my son that he can't play baseball this year because mommy can't afford the cleat, glove, or a bat.

Id. at 55.

I am from Hillsborough County, a member of Florida Rising. . . . My light bill went from \$62 to \$63, now it's \$103. And I have to buy food. I have to run my refrigerator to keep the food fresh. I have to cook on the stove because it's electric. I have to take a hot shower. Everything is electric in my house, and I am

on a fixed income, and it's like not - - it's not like my income is going up any more, so I just ask that you stop it, please, in the light bills. Thank you.

Id. at 65.

I don't use my air condition. I sweat at night. I use two fans, the overhead fans that I use. I don't eat a whole lot because I can't afford it, and I am on a fixed income. . . . Between the rent, it goes you every six months, and the TECO bill that seems to be going up every month. I mean, I went from \$40 to almost \$60 now, and that makes me have to give up things. . . . And we can't afford to keep borrowing money from family because they need to pay their bills. . . . I sleep very little. It's too hot.

Id. at 66-67.

I am also with Florida Rising. I come today to speak on behalf of me being a disabled person. Last month was my birthday, May 8th, and thanks, but no thanks to the people, y'all cut the lights off on my birthday and I was on a program, but that ain't helping none either because I get a once-a-month disability check, and I have been kicked off the program until y'all told me, and by the time y'all send my bill out, after I get my once-a-month income, I ain't been able to pay it, so it's like my bill is piling up and y'all are penalizing me for something that y'all are doing, which is sending the bill out double to me I was in the midst of my lights being turned off on my birthday, I lost my insulin because they was in the refrigerator, my night insulin.

Id. at 79-80.

I want to do Doctors Without Borders one day. I want to apply, and the reason that I haven't been able to is because I am helping my parents pay their electric bill right now. . . . My dad works over 40 hours in the heat. He comes home and he is just kind of like . . . it's so hot. I feel like I am going to die, and it breaks my heart because my dad is old.

Id. at 83.

I don't know how we are going to afford a 30-percent increase that's already - - I don't know how we are going to do it. So thank you.

Id. at 94.

So I am on a very limited income now. . . . I section off half of my house with a sheet to keep the AC in half of it because window units don't cover 900 square feet. And even if they did, I don't have the money to cover that. . . . The other things I do to cut down on my electric bill is I only turn my hot water heater on when I need to use it. . . . I cannot afford these rate increases.

Id. at 97-98.

I am with Florida Rising. . . . We are in a housing crisis. People don't have anywhere to live to even pay a light bill these days, so they are making decisions in regards to medicine, paying their rent, even paying the light bill.

Id. at 101-02.

I am a tenant, and I am being squeezed by bills in all directions, on rent, groceries, transportation, college debt, insurance, health care and on energy bills. The base rate increase threatens my ability to keep my roof over my head and stay in my apartment, which is already cheaper than many units in the area.

Id. at 105. TECO's customers, besides providing in-person sworn testimony, also submitted written comments into the docket. Over a thousand comments were submitted by TECO's customers expressing outrage at another unneeded rate hike, with many describing the burden that an additional rate hike would mean to them. Affordability was a common theme. *See, e.g.*, Exhibit 832, MPN F2.1-2313 ("It is getting unaffordable to keep lights and air conditioning on in the house."); Exhibit 832, MPN 42.1-2440 ("With the rising costs of living, including healthcare and housing, a hike in utility rates would decrease our quality of life. I am a 76 year old widow living in a small condo and careful about where I spend my limited income."); Exhibit 832, MPN F2.1-2448 ("I am a senior citizen and like most people who are old or don't make a lot of money, I simply cannot afford another rate increase."); Exhibit 832, MPN F2.1-2523 ("I am 57, totally disabled, very limited income, and the electric bill is excessive already. We are keeping our AC set on 80 in daytime, 78 at night. . . Hot."); Exhibit 832, MPN F2.1-2653 ("I'm a disabled veteran First off electric bills are too high to begin with we pay more than most people in other states. This proposal to raise our electric bill needs to stop. . . . Our paychecks have not raised but everyone wants to raise our rent, our taxes, Our phone bills, the food we eat, gas prices, water bills, and even the tips we give for services."); Exhibit 832, MPN F2.1-2759 ("This

rate increase will be on top of whatever our usual bill is; so I am worried that on my budget I will be in a very bad economic state trying to pay this increase and not see my family suffer from extreme weather conditions at the same time.”); Exhibit 832, MPN F2.1-3131 (“We believe a hike in rates . . . in 2024 is ridiculous. We are not getting these increases in our paychecks. Yet food has doubled, insurance (car and home both) have increased exponentially, and electricity is already more than double what it was when we moved in 18 years ago.”); Exhibit 832, MPN F2.1-3376 (“Teco increasing rates again and claiming it will help its customers is a joke. . . . In a volatile economic environment where property taxes and home insurance costs are making it nearly impossible for hard working folks to afford to live check to check, it’s shameful that a utility company we are forced to do business with continues to take from its customer’s pockets. . . . How about taking from your record profits instead of from my children’s mouths.”); Exhibit 832, MPN F2.1-3383 (“Price of living has skyrocketed in the county and we can’t keep getting gouged in every direction. For the sake of our collective financial wellbeing please don’t go through with this.”); Exhibit 832, MPN F2.1-3390 (“As a senior citizen, I can attest to the impact that a rate increase would have on those that can least afford it. Our social security will not increase enough to pay for the increase in our electric bill.”); Exhibit 832, MPN F2.1-3392 (“Just writing to let you know that rapid increase in electricity costs have already seriously effected our families ability to financially sustain itself. My level billing rate over that last 3 years has gone from 160 to 270 per month. There is no other bill that has increased that much in the same time period. Not even my rocketing house and car insurance rates. Please help stop this crushing cash grab trend. We are at our breaking point already!”); Exhibit 832, MPN F2.1-3393 (“As a customer, I find it increasingly difficult to keep up with the rising costs of essentials, including electricity, especially when my income remains unchanged.”); Exhibit 832, MPN F2.1-3423

(“We have a special needs child who does not sweat, and is at risk of hyperthermia during the summer months, so we keep the house at 76 degrees. We can’t change that. With the extreme heat, it is out of our control. What do we do when we can’t afford our electricity? That’s where it’s headed.”); Exhibit 832, MPN F2.1-3475 (“Please DO NOT allow the proposed increase in electric bills to be approved. . . . On more than one occasion over the last two years, I had to borrow money to pay my Electric bills, which has now left me in serious debt. I am raising 3 small grandchildren, am disabled, and on a fixed income.”); Exhibit 832, MPN F2.1-3479 (“I am the only one supporting my household, and this increase would be very difficult to handle when taking my other bills and responsibilities into consideration.”). To quote all the stories of hardship would fill the entire brief.

It was evident in these hearings that residential customers in particular have been burdened with extremely high electricity bills, for which reasons explained below, are extremely disproportionate to the actual energy used within TECO’s system. TECO’s residential customers have faced significantly high bills, as Staff Witness Angela Calhoun also testified to, as well as other quality of service issues, including potential wrongful disconnections. TR 2156–2157; *see also* Exhibit 140, MPN C35-3810.

TECO’s residential customers have been left to deal with high bills and service issues, deeply impacting their ways of life, while TECO (and Emera) executives have been reaping benefits. It is not clear whether TECO truly understands the gravity of the impact these high bills have had on customers – both currently and throughout the years since the 2021 settlement. Of note, Witness Sparkman used herself as an example of being a TECO customer and being able to pay her own bills, an attempt at dismissing very real concerns held by residents in TECO’s service territory. TR 522 (“as a customer, and how I prioritize my own household, I’m

not going to struggle to pay my bill. So I think it's really about customers and their households, and how they are prioritizing their responsibilities in their households.”). Later in the hearing, however, it was evident that TECO's executive salaries and incentive structures, including those of many of the witnesses that testified during the hearing, do not mirror that of an average TECO residential customer. Exhibit 758. Witness Sparkman has a straight salary for 2025 of \$284,395, Exhibit 171, MPN E2346, and, like the other TECO executives, has significant amounts of other compensation in the form of short term and long-term compensation. Exhibit 758, P 7; TR 1478. Thus, witness Sparkman's example of herself being able to afford her own TECO electric bills bears no true comparison to what TECO's customers are facing and their concerns regarding affordability. TECO knows that it has a lot of low-income customers, and that they expect the number of low-income customers to continue to grow, to over 200,000 income qualified customers in Hillsborough County alone by 2025. TR 3727–3728; Exhibit 831, Attachment 15 (BS 204).⁷ Based on Witness Sparkman's comments, it is unclear whether TECO even considered affordability when preparing this rate proposal.

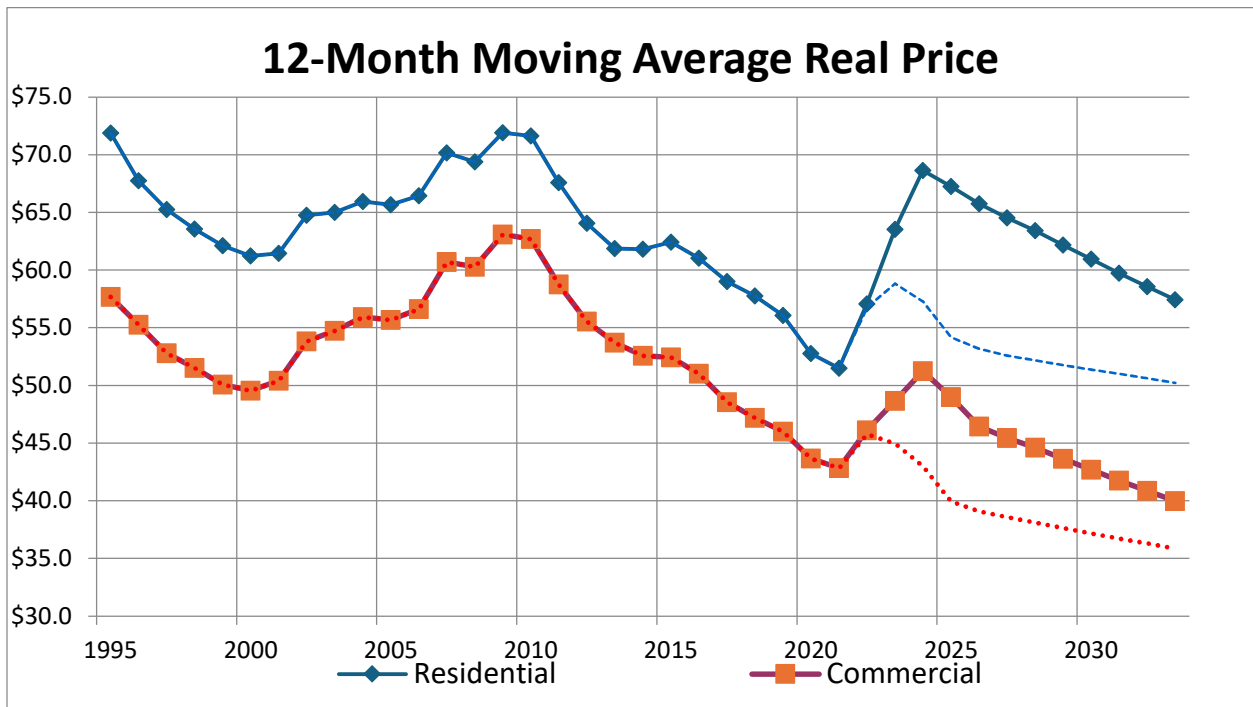
Further, TECO's customers living at or below the poverty level experiencing high energy burdens cannot simply reduce their energy consumption or invest in energy efficiency measures to cut back on bills, and customers living in rental properties have even less control over the heating and cooling arrangements in their homes. TR 2655; TR 2573. Beyond economic problems, unaffordable electricity bills implicate social and public health issues. TR 2655; TR 2570. Thus, the Commission should also consider affordability in the context of the broader

⁷ Admitted Exhibit 831 contains certain excel files that are not associated with an MPN in the final exhibit packet because they were admitted in their native format. Staff have made the native files available at <https://www.floridapsc.com/pscfiles/library/filings/2024/09174-2024/Support/STAFF-3/>. For ease, the first citation to any of these files will include the Exhibit 831 attachment number and original BS number.

affordability crisis TECO customers are facing—from housing to food to insurance costs—and in the context of changing weather patterns, such as an increased number of extreme heat days each year. Consideration of energy burden and affordability in this rate case, and denial of increased rates, means more TECO customers may not have to choose between electricity and no electricity or choose electricity over medication, food, rent, and other necessities. TR 2570; 2655. Additionally, state and local governments and public utilities commissions are increasingly considering energy affordability in regulation and public policy. New York recently adopted a statewide goal of achieving a six percent energy burden, the common threshold at which energy bills are deemed unaffordable. TR 2183. Additionally, the California Public Utilities Commission developed an affordability metric for essential services, and the Pennsylvania Public Utility Commission has examined and established maximum energy burdens for customers. TR 2183–2184. If the Commission approves TECO’s rate increases, TECO’s lowest users of electricity, primarily low-income customers, will experience shocking base rate and bill increases compared to wealthier customers using significantly more energy. TR 2574. Additionally, TECO plans to increase the daily per-customer fixed charge by 51% from \$0.71 to \$1.07. TR 2576. In 2023, TECO’s residential customers averaged 1,157 kWh of usage, resulting in an average 2023 bill of \$191.95. TR 2653; TR 2654. Due to decreased fuel prices and reduced storm recovery charges, under TECO’s proposed rates, its 2025 bill would cost \$184.25 with the same 1,157 kWh usage, rising to \$196.96 in 2027 with the proposed SYAs. TR 2654. However, this number could be dramatically higher when fuel prices rise and if a storm (or storms) hit TECO’s service area from now through the end of 2027. TR 2654.

All told, the 2021 settlement agreement has led to the widest gulf in the effective price paid for energy by the commercial and industrial customers on the one hand and residential

customers on the other in decades. As graphs from Witness Cifuentes’ workpapers show, never in the last 30 years have residential customers paid proportionally more for electricity over business customers than they do now. Exhibit 831, Attachment 12 (BS 80), TAB MAPrice; TR 1626–1628, 1631–1632. The charts, along with annotations like “Can see spike due to 2022 rate case increases,” show that residential customers experienced significantly sharper and higher rate increases than business customers following TECO’s last rate case.



Source: Exhibit 831, Attachment 12, TAB MAPrice, R 805, CLM N (unaltered from original).

Moreover, the dotted lines beginning in 2021 show TECO’s forecast for what prices would do in 2022 and beyond. TR 1629–1630. Instead of declining as predicted, prices sharply increased to a near 30-year high in 2024. *Id.* The indefinite decrease in real electricity prices from 2024 onwards the graph purports to depict, too, is a forecast. Unless the Commission rejects TECO’s requested cost of service methodology in this rate case, the disparity between overburdened residential customers and the business classes (especially the largest commercial and industrial

customer classes) they are forced to subsidize under the 2021 settlement will grow even more extreme.

II. Not Only is TECO's 4CP Cost of Service Allocation Method Unfair to Residential Customers and Small Businesses, it is Not Reflective of the Company's Actual Peaks

To make matters worse, the Company's proposed 4CP Cost of Service methodology continues to place most of the costs on residential customers. TECO is not proposing this methodology because TECO thinks this methodology makes the most sense for its system, but rather based on provisions in its 2021 Settlement agreement, as Witness Williams testified. TR 3737–3738. Witness Williams also agreed that another method, such as with 12 CP and an AD component, could be used. TR 3736; TR 3743. The 4CP method uses four projected coincident class peaks in 2025 for the months of January, June, July, and August. TR 3738. However, as discussed below, this assumes a hypothetical January peak that has not been shown to occur and bears no relation to the actual peaks TECO is experiencing. As discussed below, the peaks in May and September can be just as high as those experienced during June through August. Rather than try to properly attribute costs to cost-causers, the cost-of-service methodology from the 2021 settlement is designed to benefit the signatories to the settlement – TECO's largest commercial and industrial customers.

A. Most of TECO's Investments are for Energy, Necessitating a High "AD" Component of any Cost-Of-Service Methodology to Properly Reflect TECO's Generation and Production Investments.

Almost all of TECO's generation investments, including all of the investments at issue in this case regarding fossil generation and solar generation, are being made for their energy value, not their capacity value, and therefore, assigning all of the costs of those generation projects

based on four 2025 system peaks set by the 2021 settlement makes no sense and has zero basis in the record.

As Mr. Collins testified, TECO has more solar energy generation per customer than other utilities in Florida, including Duke Energy Florida. TR 306. Fuel benefits are an energy idea. TR 3707, 3734. Fuel savings, of course, are one of the major benefits of having solar power plants on the grid. TR 306. Fuel savings were also the primary benefit of the Big Bend modernization and Bayside Projects. *Id.* at 306–07.

Adding to this problem, none of TECO’s proposed generation investments are being made to meet these hypothetical peaks, another reason this allocation method should be rejected. The biggest, by far, actual capital expenditures that TECO has been making are on solar. TR 329; Exhibit 781, BS 8279. The next largest capital expenditures are the Bearss Operating Center. *Id.* The next largest is the South Tampa Resiliency Project, *id.*, which, although does add capacity, as shown and discussed below, is being added now for efficiency reasons (fuel savings), not capacity reasons, and should therefore be allocated on such a basis.

The key testimony on why generation additions were being made to TECO’s systems came from Mr. Aponte. First, as already discussed above, solar is by far the largest generation investment type at issue in this case. By 2027, the solar TECO is bringing online will only have a firm summer-capacity value of 1.5% of nameplate capacity because TECO has reached the point where, thanks to previous additions of solar, the net-solar peak has moved later in the day, such that new solar added only contributes 1.5% of its nameplate capacity to the new net-solar peak. TR 1031–1032; Exhibit 637, MPN F3.3-5838. Even Mr. Ly, Florida Industrial Power Users Group’s expert witness on solar, admitted that the benefits of solar come from the avoided fuel which is directly related to the energy that the solar power plants generate. TR 2787.

Additionally, given that the winter-reserve margin is lower than the summer-reserve margin, TECO would only be adding generation resources, if needed, to meet the winter reserve margin. TR 1033. For planning purposes, solar generation is assumed to not contribute to winter peaks and is thus given zero firm capacity for contribution towards the winter peak. TR 1033; Exhibit 120, MPN C32-3577. As admitted by Mr. Aponte, solar is not being added to the system for its capacity value. TR 1033.

Even the installation of the South Tampa Resiliency Project, as admitted by Mr. Aponte, is ultimately being installed now (as part of this rate case) for economic reasons, not capacity reasons, due to it not being needed for reserve margin purposes. TR 1039. The biggest savings with the project are from system fuel, which are directly connected with energy use, not capacity, and if not for the fuel savings the project would not have been cost effective. TR 1041; Exhibit 583, MPN F3.2-3883.

Even the other fossil generation plant investments at issue in this rate case are not being made for capacity, but for efficiency (i.e., energy) purposes. For example, the Polk Unit 1 flexibility project, which was found to be cost-effective (economic) and hence why it is moving forward, is not being done for capacity reasons, as it actually lowers the capacity by about 20 MW. TR 1046. The CCS project at Polk 2 will similarly lower the capacity of that unit. TR 888–889. Any project that lowers capacity is obviously not being made to increase capacity and thus is not being made to help meet peak energy demands.

The Polk Fuel Diversity Project, as described below, is not intended to add capacity, but is a “strategic effort to add additional fuel diversity” to add dual fuel capabilities to combustion turbines at Polk. TR 676. Fuel diversity is not a capacity idea—it is an energy idea. It does not add a single kW of capacity to the Polk generating station, but does create a different method by

which kWh, i.e., energy, can be generated, by using a different fuel (which has always been properly attributed to energy). Thus, this project too is an energy generation—not a capacity generation—project.

Thus, between the solar (not being added for capacity), South Tampa Resilience (not being added for capacity in the 2025-2027 timeframe), Polk Unit 1 flexibility project and Polk Unit 2 CCS project (if implemented beyond the research stage) (both actually lowering capacity), and Polk Fuel Diversity project, none of the solar or fossil generation projects at issue are being added for capacity, but instead are being added only for their efficiency and energy values, and would not be added if they were not creating those efficiency and energy values. As argued elsewhere in this Brief, it would violate the principle of cost-causation to allocate those costs solely as capacity costs, although that is precisely what TECO and the industrial users propose.

Although there are no capacity needs during the 2025-2027 timeframe due to excessive existing capacity, the only thing that comes close would be the reserve margin for winter. This winter peak projection and its reasonableness will be discussed in the next section. But, all of TECO's generation investments in solar and fossil generation, as discussed above, are specifically not being made for capacity, but are being made for their energy value. The purpose of a cost-of-service study is, of course, to properly collect costs from the groups that cause those costs to be incurred. TR 3732.

Cost-of-service studies often have different weights on the “CP,” i.e., coincident peak part of the allocator for generation resources, and the “AD,” i.e., average demand (energy) component, reflecting whether generating is being built and maintained for capacity or for its energy value. TR 3735–3736. However, TECO's supported 4CP with MDS cost of service gives no weight to the energy value of TECO's generation assets, and instead allocates it all to 4

coincident peaks per year, in the months of January, June, July, and August, as specified in the 2021 settlement agreement. TR 3738. In order for 4CP to make sense, that winter peak and the three summer peaks would, in fact, need to be higher than the peaks in the other months, and the reasonableness of the methodology, as admitted by Mr. Williams, would be dependent on whether the projected peaks for those months were reasonable (as discussed below, the January peak is not reasonable). TR 3737–3738. Also, in order for 4CP to make sense, again as admitted by Mr. Williams, the generation investments being made would actually have to be made in order to address those winter and summer peaks being utilized in the 4CP methodology (i.e., January, June, July, and August). TR 3737. However, as shown above and as discussed by Mr. Aponte, none of the solar or fossil generation investments at issue in this case are being made for their capacity value, and some of the biggest generation investments that have been recently made, like the Bayside project and Big Bend modernization project, have not been made for their capacity values, but have been made for their efficiency, i.e., energy values. Yet, TECO’s proposed cost-of-service study does not allocate any costs to reflect any of that energy value, and simply allocates it all to capacity, unfairly burdening the residential class with costs related to energy that the residential class is not using. When all of the investments at issue are clearly, as admitted by TECO, being made for their energy value, it would be a violation of Florida law and the principle of cost-causation to utilize the 4CP with MDS methodology proposed by TECO.

The absurdity of the use of the 4CP methodology does not stop at TECO’s generation facilities, but actually extends beyond it to support other facilities as well, to projects that are obviously not being driven by the projected coincident peaks in 2025 of January, June, July, and August. For example, a third of the cost of the new headquarters is being allocated to the classes based on their projected coincident peaks in January, June, July, and August of 2025, even

though, obviously, the coincident peaks do not change the cost of the new headquarters (just the allocation). TR 3748. The Bearss Operations Center uses the same allocation methodology and is thus also being disproportionately paid for by the residential and small business class, even though there is no evidence that the residential coincident peak for January of 2025 is changing the cost of the Bearss Operations Center, again violating the principle of cost causation. TR 3749.

Big Bend dismantlement, via the Clean Energy Transition Mechanism, relies on the 4CP methodology as well, even though there was no testimony that coincident peaks for 2025 impact the costs for the purposes that are being recovered through the mechanism, but rather what could cause an over or under-recovery are revenues associated with sales. TR 3282–3284.

Furthermore, TECO has no supporting documents beyond the 2021 settlement showing why it makes sense for Big Bend dismantlement costs to be allocated along 2025 coincident peaks, disproportionately shifting costs onto residential customers. TR 3746.

Additionally, due to the 2021 settlement, the carbon capture and sequestration (CCS) project is being allocated using the 4CP methodology as well, even though no witness was able to say how projected coincident peaks in 2025 would impact the costs of the project, and, in fact, Mr. Williams was aware of no reason to allocate the costs that way, other than the fact that the settlement agreement required it. TR 3744. Mr. Stryker, the sponsoring witness for the project, agreed that the project would not increase the capacity of the Polk generating facility, TR 888, and would actually come with an energy penalty that would actually lower the capacity of the unit, necessitating additional capacity to make up for any lost capacity. TR 889. In fact, use of any carbon capture and sequestration technology would be based on fuel input, not capacity. TR 891. Yet, thanks to the 2021 settlement, TECO plans to disproportionately recover those costs

from residential and small business customers using 2025 projected coincident peaks, again clearly violating the principle of assigning costs to cost causers, as a fuel (energy) project should be assigned to energy users, yet under the settlement, zero of the costs get assigned on an energy basis.

As discussed below, the January projected coincident peak does not align with the reality of a changing climate that TECO has been facing, and even more than the other coincident peaks disproportionately shifts costs onto residential customers. Simply put, there is no evidence that allocations should be made in this way when the overwhelming evidence shows that so much of TECO's generating investments are being made to support the energy needs of its customers.

B. TECO's Load Forecasting is Premised on Erroneous, Unsupported Assumptions.

TECO's 4CP cost of service methodology not only produces unfair rates, but it does so on the basis of a wildly inaccurate load forecast that is completely at odds with TECO's actual system usage and peaks. TECO plans around a hypothetical annual peak in January, that, despite driving most of the cost shift to residential customers (*see* Section II.C, *infra*), does not actually exist. The 4CP methodology is also premised on the purported cost of residential peaks in January, June, July, and August (collectively, the "4CP months") and the dual myths that other "shoulder" months and other classes than residential customers experience only negligible peaks. In reality, other months are quite peaky (often more so than many of the 4CP months), and other classes also have weather-driven usage. Finally, TECO's load forecasting shows an alarming skepticism towards climate science, despite requesting recovery for millions of dollars worth of projects that are ultimately driven by climate change.

Regarding the forecasting issues specific to the 4CP cost of service methodology, first, TECO continues to substantially overstate January usage with a forecasted peak that consistently

fails to materialize. TECO's hypothetical January peak is driven by an assumed 31° F day that in turn assumes high energy use from heating. TR 1554. For each year between 2019 and 2023 (the years for which the record contains TECO's complete annual peak demand reports), TECO thus expected the annual peak to fall in January. Exhibit 831, Attachments 2–6 (BS 43–46, BS 49). The forecast was wrong each time, as the annual peak fell in June, August, and even September (not a 4CP month), and never in a cool weather month. Exhibit 831, Attachments 2–6. The variance between TECO's forecast and actual peak firm demand for the Januarys of 2019-2023 were, respectively, -30%, -22%, -35%, -18%, and -27%. *Id.* For 2019, January was not only not the annual peak but had the second lowest monthly peak of the entire year. TR 1564–1565. In fact, for at least the past five years straight, TECO's winter peak, which it defines as the highest instantaneous energy usage between November and March, was actually driven by air-conditioning use on *hot days*, not heating on cold days. TR 1581–1582; Exhibit 831, Attachment 10 (BS 73), TAB Total Retail. The inaccuracy of the January/winter peak has continued through the present: a TECO report summarizing the accuracy of its forecasting for the 12 months ending April 2024 showed actual non-phosphate peaks from December 2023 to February 2024 ranged from 29% to 53% *lower* than TECO's forecasts. Exhibit 580, MPN F3.2-3817; TR 1554–1555. While TECO continues to force a hypothetical huge winter peak into each January's forecast, TECO recorded its highest system peak ever last August. Exhibit 831, Attachment 10, TAB Total Retail (4669 MW).

Related to the non-existent annual January peak, TECO's load forecasts are also plagued by the myth that TECO's highest usage falls within the 4CP months of January, June, July, and August—and that no other months have usage relevant to impacting system costs. The record plainly shows otherwise: roughly one third of TECO's seasonal peaks over the past 51 years

occurred in non-4CP months (30 of 102). Exhibit 831, Attachment 10, TAB Total Retail. And that's only the *seasonal* peaks, because in every year from 1973-2023, except for 1992 and 2001, the peak of at least one non-4CP month exceeded the peak of at least one 4CP month. *Id.* Put simply, the 4CP months are designed to capture the four highest monthly peaks of the year, yet for every single historical year but two provided by TECO, the 4CP months failed to do so.⁸ Witness Cifuentes acknowledges that in at least the past five years, the single time TECO actually interrupted its interruptible customers during a monthly peak was in *November*. TR 1573. Putting aside the general problems with any 4CP methodology, the specific four months selected by TECO cannot accord with principles of cost-causation when, for the past 51 years, they have been wrong 96% of the time.⁹

Moreover, residential customers are also not the only class whose consumption is influenced by the weather. TECO's 2025 forecasting expects sales of energy (MWh) to peak for almost every class in September, with even the GSLD and GSD classes varying by 15% and 35% respectively compared to their lowest-usage months. TR 1584–1587; Exhibit 831 Attachment 9 (BS 54), TAB RateClass Forecast.

Finally, on a general level, TECO's load forecasting is at odds with the reality of climate change. As part of the load forecasting process, TECO uses heating degree day ("HDD") and cooling degree day ("CDD") assumptions to "allocate the appropriate monthly weather impacts"

⁸ And *even* in those years, the fifth highest monthly peak was over 99% the size of the fourth highest peak from the 4CP months. *Id.* (2618 vs. 2627 in 1992; 3274 vs. 3305 in 2001).

⁹ Notably, TECO's cost of service methodology over-assigns cost to residential customers even *above* their coincident peaks. When TECO calculated the system class peaks for the 2025 test year, residential customers' contribution to the monthly peak averaged just 53%. (See Exhibit 831, Attachment 13 (BS 83), TAB CP (dividing column G "RS From EX2" into column F "SYSTEM METER"). Highest contribution November, 57.3%; lowest in February, 47.5%. *Id.* Yet, under TECO's methodology, residential customers are still assigned nearly 60% of total system costs. TR 3740; Section II.C, *infra*.

on energy consumption. TR 1493. These are based on Monte Carlo simulations of the preceding 20 years of weather patterns in TECO’s service territory. TR 1494. This backwards-looking planning process, especially over a 20-year period is leading to inaccurate projections as temperatures rise faster over time.

TECO’s own historical data reflects these rising temperatures: in a document showing the degree days for every month since January of 1970, HDDs have sharply declined while CDDs have correspondingly increased over time. Exhibit 216, MPN E8276. The table below shows the total annual degree days from TECO’s chart, averaged by decade.

Time Period	Average Annual Heating Degree Days (HDD)	Average Annual Cooling Degree Days (CDD)
1970-79	649	3474
1980-89	626	3457
1990-99	458	3712
2000-09	488	3669
2010-19	439	4004
2020-23	287	4437

Source: Exhibit 216, MPN E8276-77.

TECO models a 20-year normal for expected HDDs and CDDs based on its 20-year retroactive Monte Carlo temperature simulations, and in response to a Staff request, also developed 10-year normal based simulations for only the past decade. Currently, TECO’s expected total annual CDD is 3936 for the 20-year normal, and 4191 for the 10-year normal. Exhibit 216, MPN E8277. Over 54 years of data, just 16 years surpassed the current 20-year normal—9 of which occurred in the last decade—and only 8 years surpassed the current 10-year normal—all of which occurred in the last decade. *Id.*; TR 1603–1605. For HDDs, the current 20-year normal is 431 and 10-year normal is 342. Exhibit 216, MPN E8276. Out of 54 years of data, 23 years had fewer HDDs than the 20-year normal (including 13 of the past 20 years, and 9 of the last 10), and

just 8 had fewer HDDs than the 10-year normal (6 of which occurred in the last decade). Exhibit 216, MPN E8276; TR 1602–1603.

Witness Cifuentes nominally concedes these changes, TR 1602–1604, but primarily characterizes the past 9 years of weather as “anomalous,” and rejects the idea that TECO’s load forecasting should use a more current data set given the rising temperatures over time. TR 1531–1532; TR 1614–1615. The problem is that TECO’s future forecasting has a huge lag because of the stale data, causing significant variations: in 2022, TECO forecast almost 50% more HDDs than actually resulted, while understating CDDs by roughly 20%. Exhibit 511, MPN F3.1-1251; TR 1595–1596.

Over the past 10 years, the actual average annual growth rates for TECO’s seasonal peaks were 0.7% for winter and 1.6% for summer. Exhibit 25, MPN C10-613. However, shrugging off the documented rise in temperature over time, TECO expects that over the next 10 years, the winter peak will grow at nearly double the rate (1.2%) and the summer peak—after decreasing in 2024—would grow at nearly half the rate (0.9%). *Id.* In practical terms, this means TECO expects that, compared to the actual winter peak in 2023 (3526 MW), the 2024 peak will jump by 28% (4513 MW) and by 2033, will be 41% higher (5005 MW). The record provides no evidence to indicate temperatures are likely to decrease back to a historical baseline.

In fact, despite Witness Cifuentes’ claim that the weather in 2024 was returning towards a cooler baseline, TR 1610, TECO’s latest degree days data from January to June 2024, shows otherwise. From January to April (the four months for which TECO expects heating loads), every month had *fewer* actual HDDs than 20-year baseline for that month, with March and April even below the 10-year baseline. Exhibit 216, MPN E8274; TR 1611–1612. For cooling, the actual CDDs of every month since March have met or exceeded the 20-year normal, with May

and June also exceeding the 10-year Normal. Exhibit 216, MPN E8274; TR 1612–1613. In fact, Witness Cifuentes admitted that June 2024—the most recent month for which data was available—was the highest actual CDD month TECO had ever recorded. TR 1613–1614; Exhibit 216, MPN E8277.

It would be noteworthy for any utility’s Director of Load Research and Forecasting to downplay the sustained and accelerating increase in temperatures as a temporary anomaly. It is far more significant where, as here, a substantial part of TECO’s overall requested recovery is for climate change-related projects, such as relocating TECO’s entire corporate headquarters away from a flood-prone area by moving miles inland, constructing a new climate resilient Bearss Operations Center, installing nearly 500 MW of new solar generation (and 115 MW of battery storage), and undertaking extensive storm hardening. TR 337–341; 814; Exhibit 466, MPN F3.1-70–73 (“Climate change presents some of the most significant global challenges of our time, particularly in the energy industry where we’re working to reduce our carbon dioxide (CO2) emissions. ... Climate change brings two distinct but related streams for action for utilities companies – the transition to cleaner energy and the need to adapt for the physical impacts of climate change.”). Ultimately, TECO’s load forecasting is materially unsupported by the record—particularly regarding the nonexistent January “peak” and arbitrary selection of 4CP months that consistently neither reflect the highest monthly peaks nor the only potentially cost-causative monthly peaks. Because TECO’s 4CP cost of service methodology inextricably relies on this deficient forecasting, it too is not supported by the record.

C. Use of the 4CP Methodology in Conjunction with Hypothetical January “Peak” is Unfairly and Unjustly Driving Cost Shift onto Residential Customers.

Under the 4CP cost of service methodology, just under 60% of costs are allocated to residential customers. TR 3740. The data upon which that is based comes from Ms. Cifuentes’s

team. TR 3740. The reason that number is being driven higher is because of the projected January peak. Under the projected January peak being used to allocate costs among the customer classes, residential customers are allocated over 67% of the January peak. TR 3740–3741. Whereas, for June, July, and August, residential customers are responsible for less than 58% of the peak (and thus the associated costs). TR 3741. Thus, the reason such high costs, approaching 60%, are assigned to residential customers under the 4CP methodology is solely because of the January peak that was discussed above. As one of only four months being used to allocate costs under the 4CP methodology, the hypothetical January peak is responsible for assignment of 25% of the costs under the 4CP methodology, driving allocated costs onto residential customers. A 12CP methodology would only weight that January peak a 1/12th weight, which, given its dubious nature, would be much more appropriate under the circumstances. Residential customers should not be paying disproportionately more because of a peak that does not happen and is not likely to happen.

D. MDS Creates a Hypothetical System to Assign Additional Costs to Residential Customers and Should Be Disregarded.

Just as the 4CP component of 4CP with MDS makes no sense, so too does the MDS (minimum distribution system) component of 4CP with MDS make no sense. The MDS methodology attempts to assign certain distribution costs as customer costs, even though such costs are not directly related to additional customers being added to the system. For example, there is no dispute that service drops (i.e., the line from the distribution system to the customer) and the meter are properly assigned as customer costs, and those are assigned as customer costs. Instead, the MDS methodology attempts to go beyond that to assign certain costs of the shared-grid as specific customer costs. The MDS methodology that TECO employs is to create a scatter plot to try to figure out what, for example, a zero-load transformer would cost (and similarly for

other assets on the shared-distribution system). TR 3753. Of course, TECO does not have transformers or other shared-assets on the grid that are designed for zero load. TR 3753. Thus, the whole idea of the MDS methodology is to design a hypothetical zero load system to try to assign out the costs of the shared-grid as customer costs, and not as energy or demand costs, even though it is only because there is energy and demand that such system needs to exist and why the transformers and lines are sized the way they are.

To further illustrate this, when new customers are added to the system, a meter and service drop would necessarily have to be added to serve that customer, TR 3754, and thus there is no argument that those costs associated with that are properly assigned as customer costs. However, when a new customer is added to the system, the same is not true of transformers and other assets of the shared-distribution grid that are subject to the MDS methodology. TR 3754. Thus, no additional costs need to be incurred just from adding an additional customer to the system. And to the extent that a transformer would need to be upgraded to serve that customer, it would be because of that customer's load, i.e., that customer's energy usage and demand on the system, and thus, such costs should be allocated on an energy and demand basis, not as a customer charge based on a hypothetical system that does not reflect reality and how TECO's system actually operates. Again, cost causers should pay the costs incurred, not hypothetical costs for a zero-load system that does not exist.

TECO's use of the MDS methodology has led to a proposal of having an over \$30 per month fixed customer charge. TR 2574–2576. Additionally, fixed charges such as that proposed by TECO are inherently regressive, having greater cost impact on low-users who are also often low-income customers. TR 2578–2579. Low usage customers are actually putting less of a burden on the shared-distribution system, so using the MDS methodology, low usage customers

are overpaying and subsidizing large users of the system that are actually imposing the costs on the shared-distribution system. TR 2579. A simple test was included in Mr. Rábago's testimony: "If the cost disappears because the customer leaves the system, the cost is a customer cost." TR 2583. The MDS methodology completely misses the mark on this. Thus, TECO's existing customer charge is already too high, and certainly should not be increased by 50% as proposed by TECO in this case.

TECO's use of the MDS methodology is simply another holdover from the sweetheart deal that large commercial and industrial customers were able to cut for themselves as part of the 2021 rate case to shift additional costs onto residential customers and small businesses in this rate case, and this Commission should not give it any moment, but instead should embrace the principle of cost causation.

E. Given That All Recent Solar and Fossil Generation Investments are Being Made for Energy Value, the 12CP and 50% AD Cost of Service Methodology is Actually Conservative and Should Be Utilized.

Given that all of the fossil and solar investments at issue in this case, and all of the recent fossil generation investments that TECO has been making, have been for their energy benefits, the 12CP and 50% AD cost of service methodology proposed by Florida Rising and LULAC is actually quite conservative for allocating costs. If anything, an argument could be made for 100% AD allocation, as all of the investments being made are being made for their energy value. As discussed above, solar penetration levels are high enough on TECO's system that additional solar has virtually zero capacity value (which is not to say that it is not valuable – it has energy value!). Florida Rising and LULAC simply believe that those who cause energy demands on the system should pay their fair share towards the system, as reflected in the 12CP and 50% AD cost of service methodology that Florida Rising and LULAC have proposed. As admitted by Mr.

Williams, a 12CP and 50% AD methodology would weigh equally the capacity demands on the energy system and the energy demands on the system. TR 3735. Mr. Williams also agrees that an advantage of the 12CP and AD methodologies is that they recognize that TECO is required to serve load all throughout the year and could also consider residential affordability, and that energy is consumed by all rate classes throughout the entirety of the month. TR 3735–3736. Mr. Williams also did not do an analysis to show what weight should be given to the AD component. TR 3736–3737.

Nor did other intervenor witnesses supporting the 4CP with MDS cost of service methodology do any kind of analysis to show why that methodology makes sense given TECO’s profile. For example, Mr. Pollack, testifying on behalf of the Florida Industrial Power Users Group, did not do any kind of analysis of the generation investments TECO is making on their capacity versus energy value, but just assumed they were being made to address TECO’s projected coincident peaks. TR 2680. To support the months of January, June, July, and August as the four months driving capacity needs, he looked at data for 2020-2025 (with 2020-2023 being actuals, and 2024-2025 being projected) as to whether the monthly peak exceeded 90% of the system peak. And, even though, as discussed above, the projected January peak is driving costs onto residential customers, Mr. Pollack “was pretty skeptical about that [peak], given the history that they [TECO] only had had an occasional winter peak.” TR 2681. Plus, Mr. Pollack’s own analysis cast doubt on the validity of January, June, July, and August as the months driving the system peaks. For 2020 through 2023, May exceeded the “90-percent threshold” (of peak) three out of the four years, and in 2020, the system peak was actually in September. TR 2682. September also exceeded the 90-percent threshold in three out of four

years of actual data, and was almost 90 percent (89.83%) in the fourth year, and October exceeded the threshold for 2 out of 4 years. TR 2683.

Additionally, Mr. Gorman did not conduct an analysis of the firm capacity values of the solar that TECO is adding to its system, TR 3080, and so did not seem to do any independent analysis to show that the costs of the solar being added to the system are properly allocated using a methodology that assigns those costs as capacity costs.

Although the Florida Retail Federation expert Mr. Chriss testified regarding cost of service, as stipulated by Florida Retail Federation, Mr. Chriss did not testify that the Florida Retail Federation supports the 4CP and MDS cost of service methodology, Mr. Chriss did not conduct his own cost-of-service study for this case, Mr. Chriss did not evaluate the energy value versus the capacity value of the solar power plants that TECO is adding to its grid, and Mr. Chriss did not evaluate how much of TECO's generation investments are comprised of solar. Exhibit 836.

In fact, in 2021, in its last rate case, back when solar actually contributed more to capacity than it does in this rate case, TECO, recognizing how much solar contributes to energy, had proposed allocating its solar assets as 50% demand related (capacity) and 50% energy related. TR 3742. Obviously, as TECO's new solar assets contribute even less to capacity now (almost nothing) than they did then, it makes even more sense to allocate the solar assets (and all of the other assets being made for energy/efficiency reasons) on an energy basis. Back in 2013, TECO had actually proposed using a 12CP and 50% AD methodology for all of its generation costs. TR 3742–3743. Mr. Williams, when asked about the use of 12CP and 50% AD methodology as applied to TECO today did not offer an opinion regarding its suitability, falling back on that “I can just say that under the settlement agreement, we were required to file and

propose 4CP, and that's -- I executed the settlement agreement." TR 3743. The settlement agreement does not change who actually causes the costs on TECO's system.

Additionally, Duke uses a 12CP and 25% AD cost of service methodology partially on the basis of their solar expansions, although as Mr. Collins testified to, TECO has even more solar on their system than Duke on a per capita basis, making an even stronger case for weighing the AD component higher than Duke does. TR 3743.

As Florida Rising and LULAC Witness Rábago suggests, an allocation method that uses 12 CP, or twelve coincident class peaks, one for each month, and a 50% weight to average demand (energy) would be more reflective of the peaks that TECO actually experiences and of the reasons that TECO is making the generation investments that it is making. TR 2642. As TECO is not adding peaking plants or even base-load plants, but is adding energy-based generation (solar) and fossil generation to burn fuel more efficiently, and not for capacity, it only makes sense to give a much greater weight to the energy component of generation. TR 2642. Thus, the cost-of-service study attached to Mr. Rábago's testimony should be utilized in allocating the revenue requirement in this case.

F. Gradualism Finds No Basis in Florida Law and Should Not Be Used as a Basis to Shift Even More Costs onto Residential Customers and Small Businesses.

The Commission should also reject gradualism in this case. Gradualism proposes to cap rate class increases at 1.5 times the system average increase and redistribute anything above that cap to other classes, which would place even more of a burden on residential customers and small businesses. There is no legal justification for gradualism to be proposed or approved in this case, nor will it result in fair or reasonable rates.

In fact, application of gradualism in this case would be even more unfair than in the typical case. The 2021 settlement did not use a specific cost of service methodology, but

assigned costs in a way that is completely at odds with reality. As discussed above, the 4CP with MDS cost of service methodology makes no sense for TECO's system and assigns disproportionate costs onto residential customers and small businesses. However, even under the 4CP with MDS cost of service methodology, residential customers (and especially small business customers) get a less than system average rate increase. Exhibit 692, MPN F3.4-14525 (average rate increase proposed to be 19.78%, residential class 19.42% increase, and GS class 4.40% increase). And, assuming that TECO gets less than the revenue requirement it asked for, the differential between the classes would necessarily increase to get the classes closer to parity. TR 2690. In other words, class GSD is already over 1.5 times the system average increase (32.37% increase versus system average increase of 19.78%, Exhibit 692, MPN F3.4-14525) under the 4CP with MDS cost of service methodology, and that would go up if the revenue requirement decreased, even using the 4CP with MDS cost of service methodology. The fact that class GSD is already facing an increase of over 1.5 times the system average (and GS is facing only a tiny portion of the system average increase) at TECO's full revenue requirement ask using 4CP with MDS is proof of how tilted the 2021 settlement was towards the large commercial and industrial classes, and how much residential customers and small businesses have been overpaying over the last few years. As shown above, of course, 4CP with MDS makes no sense for TECO's system. Cost causers should pay their fair share, and there is nothing in Florida law that even suggests that large customers that got a sweet-heart deal should be able to make residential customers pay more in the future because they got a sweet-heart deal in the past.

In addition to large commercial and industrial customers not even paying their fair share under 4CP with MDS cost of service methodology, those classes also are the subject of large

“interruptible” and “curtailable” credits, primarily paid for by residential and small business customers. TR 2656. GSLM 2&3, industrial customers subject to load management, receive almost \$23 million per year in bill credits for being subject to load management. Exhibit 81, MPN C26-2754. In exchange for tens of millions of dollars per year, those customers have been interrupted once in the past five years, on November 11, 2023. Exhibit 545, MPN F3.1-2638. As reflected in TECO’s exhibits, there are about 20 GSLM 2&3 customers that have been interrupted, for a maximum of 90 minutes over the last five years. Exhibit 545, MPN F3.1-2638. During the November event, not even all 20 of those customers had all of their load interrupted. Exhibit 634, MPN F3.3-5312. In other words, these customers are getting paid, on average, over \$1 million per year (over \$23 million divided by approximately 20 customers), and for this money, have been interrupted once over the last five years for less than 90 minutes. That is over \$5 million per customer for less than 90 minutes of interruption – primarily paid for by residential and small business customers. By any accounting, that is a fantastic deal for those customers. Such favorable treatment must be considered in the fair allocation of rates in this case.

It is also worth noting that such interruption, i.e., when there was a need for load shedding since there was insufficient generation resources, occurred during November and not one of the 4CP months at issue in this case, reinforcing that it is not the months of January, June, July, and August that are driving TECO’s actual system need in this case, and is a further reason to dismiss the 4CP with MDS cost of service methodology.

Nor should the “economic policy” arguments for lower rates for the largest commercial and industrial customers be given any moment, as that is not one of the statutory factors in determining fair, just, and reasonable rates. But even if it were, TECO also has an economic

development tariff that helps attract new businesses (paid for by other customers). TR 3806. Such a rider includes a full 20% reduction in base demand and energy charges. Exhibit 7, MPN J568. To the extent “economic policy” is considered, ensuring TECO does not have the highest residential bills in the country would weigh towards making TECO’s wealthiest large industrial customers pay their fair share. Increasing homelessness, increasing medical expenses (from heat illness due to people unable to afford to adequately air condition their homes), and lowering disposable income will not aid the Tampa-bay economy. To stay economically competitive, TECO’s residential electricity bills should be competitive as well.

It is long past due time for cost makers to pay their fair share, and the Commission should approve a rate in which rates are distributed fairly across classes in a way that indicates actual energy usage, not burdening some classes in order to subsidize others. For these reasons, TECO’s rate increase and 4CP cost of service methodology should be rejected and gradualism, beyond finding no support in Florida law, should find no moment to shift additional costs onto residential customers and small business customers.

III. TECO’s Subsequent Year Adjustments and Other Gold-Plating Projects, Including Bearss Operational Center, South Tampa Resilience Project, New Corporate Headquarters, and Polk Projects are Unjustified and Should Be Rejected

TECO has proposed multiple projects under its Subsequent Year Adjustments that are unneeded, highly inflated, and unduly burdensome on residential customers through TECO’s proposed cost allocation methods. As previously discussed, these projects also do not add in much generation in TECO’s territory, which the Commission should scrutinize, as, in previous rate recovery cases, subsequent year adjustment projects at least include additional generation that will benefit ratepayers. These projects, for reasons described below, should be disallowed for cost recovery.

A. TECO's New Midtown Corporate Headquarters

The new Corporate Headquarters, for example, is a chance for TECO to get a brand-new headquarters building without paying for it themselves. Instead, they are trying to place it on the customers' bills. This project is being proposed for a 2026 SYA. The in-service date of the new headquarters is estimated to be June 1, 2025, and the Company states the cost as \$188.7 million. TR 673. As Witness Carlos Aldazabal testified, when first considering changing the current headquarters, a scorecard was used, which outlined a list of priorities for the new headquarters in order of priorities. Exhibit 18, MPN C3-230. "Connection to Community" was listed first. TR 738. However, the Company did not consider actual impacts to customers' and communities' rates and bills through this category, nor whether this would ease any of the current issues communities face. TR 738–739. This category did not include generating additional energy or lowering costs. TR 739. In the Company's original filing, concern over flooding was cited as a main consideration when summarizing the project. TR 675. This was only fifth on the list of priorities on the scorecard. Exhibit 18, MPN C3-230. While Witness Aldazabal said this scorecard was used in the primary considerations for the new headquarters, it still laid out what the Company was considering when deciding on whether to renew its lease or build a new headquarters, where it ranked flooding as one of its lower priorities – following Connection to Community, Parking, Nearby Amenities, and Talent Recruitment. Exhibit 18, MPN C3-230.

Further, TECO's new headquarters is more costly to customers than renewing its current lease. The new headquarters project is estimated to raise residential customers' bills by \$1.31/1000kWh in 2025 and up another 40 cents to \$1.71/1000kWh in 2026. Exhibit 643, MPN F3.3-5968, TAB Residential Bill Impact, R 67, CLM G. The total Capital difference between continuing the lease at the Plaza and the midtown purchase is over \$100 million, including the

Plaza purchase in 2044. Exhibit 644, MPN F3.3-5971. Over 30 years, customers will be paying over \$284 million for this new Midtown headquarters, and that further raises to \$345.6M over 60 years. *Id.*

While the Company claims that leasing is uneconomic and potentially more costly, Witness Aldazabal admits that lease pricing could actually go down, especially with the continuation of remote work, making TECO's estimates faulty. TR 741. If lease prices decrease, the impact to ratepayers would also go down if TECO continues its current lease. TECO has not shown that the new headquarters is needed, that it will benefit ratepayers, nor that it will be more cost-effective. This project should be disallowed from rate recovery.

B. South Tampa Resilience Project

TECO is also seeking 2026 and 2027 SYA cost recovery for the South Tampa Resilience Project, proposed to be held at the MacDill Air Force Base. The Company describes this project as a project that “will serve all Tampa Electric customers during normal operations, providing electricity to [the MacDill Air Force Base] and the surrounding community.” TR 655. However, the Company acknowledges the “relatively small footprint” this project adds in terms of generation. TR 656. No alternatives were considered for this project. *Id.*

This project includes a lease agreement with the MacDill Air Force Base, one that leaves other ratepayers at risk. Exhibit 763. Concerningly, this lease agreement does not protect TECO's customers in the event that the Air Force decides that TECO is in breach of the contract. The contract also includes clauses for Electrically Islanded Operations, which could leave other ratepayers at an energy deficit when the Air Force decides to use this clause. TR 655; Exhibit 763, BS 45158. For example, if TECO cannot fulfill its obligations for the Electrically Islanded Operations, and is not able to cure within 180 days, TECO will have to pay ground rent to the

Air Force base until TECO demonstrates it can perform “capabilities as determined by MacDill Air Force Base.” Exhibit 763, BS 45160; TR 747. This is problematic for two reasons. The first reason is that if TECO fails its obligations, the rent paid will be out of the pockets of ratepayers – there is nothing in the lease that prevents this from happening. The second reason is that this clause is at the discretion of the Air Force to determine whether TECO is performing its promised capabilities, again leaving TECO ratepayers without protection. There is nothing in the lease that allows ratepayers recourse or ways to remain whole if either of these situations occur.

TECO relies on cost-effectiveness analyses to justify the generation projects at issue in this rate case. For all of the cost-effectiveness analyses, TECO used a 10.2% return on equity assumption for all of its analyses, a far-cry from the 11.5% that TECO is asking for in the case and would certainly impact the analysis if such a return on equity was used. TR 1034–1035. If TECO was granted a 10.2% return on equity (which is far higher than national averages and far higher than TECO needs to be able to make the prudent investments it needs to deliver reliable and cost-effective service), then perhaps the analysis would be reasonable. However, the higher the return on equity awarded to TECO, the more the cost-effectiveness analyses performed by TECO become meaningless.

More than that, the order that TECO conducted its cost-effectiveness projects inappropriately tipped the scale to show projects were cost-effective compared to base cases that do not reflect TECO’s system-planning. For example, the South Tampa Resilience Project, which is a series of reciprocating engines on the MacDill Air Force Base that will provide backup power to the Air Force for electrically islanded operations in case of emergency, paid for by the general body of ratepayers at no financial cost to the Air Force, TR 1036, is justified by a

cost-effectiveness analysis performed by Mr. Aponte. That cost-effectiveness analysis was a comparison to a base case that did not include any of the solar or battery projects (subsequent to the Dover battery project), even though TECO is planning to move forward with those projects. TR 1040; Exhibit 589, MPN F3.2-3900. Thus, in the cost-effectiveness analysis for the project, one of the benefits being included is delaying the installation of a combustion turbine from 2027 to 2028, Exhibit 589, MPN F3.2-3900–3901, even though, due to the other solar and battery storage projects TECO has planned, there is no need for such combustion turbine and TECO has no plans to build that placeholder combustion turbine. Thus, the indicated “savings” from the existence of the project, \$10 million without carbon costs, is very dubious in light of the reliance of the project on \$73.9 million in capital revenue requirements from “Balance of System,” which would include the delay of the non-existent combustion turbine. Exhibit 583, MPN F3.2-3883. Given TECO’s other projects, there was no need for the combustion turbine at all, with the Wimauma 3 case (included and TECO planning to build)¹⁰ showing the closest need for a combustion turbine to be in 2030. Exhibit 605, MPN F3.2-3965. Nor is there any need from a reliability standpoint for the South Tampa Resilience Project. Putting aside the dubious nature of the 20% planning reserve margin that TECO uses, unsupported by any analysis to show that such a reserve margin is necessary or even desirable to reliably serve TECO’s customers, TECO would still maintain a 20% reserve margin, even in the winter, without the project, at least through 2027 (the last year at issue in this rate case). TR 1044; Exhibit 120, MPN C32-3577. Thus, the South Tampa Resilience Project could be removed from the TECO system, and TECO

¹⁰ See TR 1043 (clarifying that MPN C3.2-3577 includes all of the generation and storage projects that TECO has included in the rate case) and Exhibit 120, MPN C32-3577.

would still have no issue making its reserve margin through 2027 (the last year at issue in this rate case).

With South Tampa Resilience Project being neither cost-effective given the lack of combustion turbine deferral with TECO's other projects, and not being needed from a reliability standpoint, at least through 2027, it is not a prudent project and should be rejected by the Commission for inclusion in base rates. Although the Air Force may desire a backup power source for itself, such a backup power source should not be funded from the general body of ratepayers and instead should be paid for by the organization that would benefit from it, namely the United States Air Force.

The Commission should reject the South Tampa Resilience Project from rate-recovery given that there is no capacity-need for the project and TECO has failed to show how the project will be cost-effective (i.e., prudent) for ratepayers.

C. Bearss Operation Center

The Bearss Operation Center, requested as a 2026 SYA, also comes at a high cost to ratepayers without any significant benefit to them. The Company has projected the costs for this project to be about \$335 Million. TR 665. While having no quantifiable benefits for residential customers, under a 4CP allocation, residential customers will be responsible for 59.84% of the costs for this project, including the estimated \$24 Million revenue requirement. Exhibit 654, MPN F3.3-6385. To add insult to injury, the costs for the Bearss Operation Center are projected to raise residential bills throughout the subsequent years. Exhibit 776 at BS 15411. Witness Aldazabal testified that residential customer bills are projected to increase 2025-2027 due to the Bearss Operation Center. TR 750. This is a gross misallocation of costs – residential customers

should not be left paying over half the cost of a project that will not benefit them, at least not proportionately to the costs they are being allocated.

D. Polk Fuel Diversity Project and Polk Flexibility Project

The Polk Fuel Diversity Project is being requested as a 2027 SYA for \$53.9 Million. TR 676. This project also does not add generation to TECO's service territory. The Company describes this project as "a strategic effort to add additional fuel diversity to [its] generation mix at Polk by adding the same dual fuel capabilities to the remaining three CT using infrastructure that is already in place at the site." TR 676. Just like the Bearrs Operation Center, there are no quantifiable benefits to TECO's residential customers, and, as the Company admits, a cost-effectiveness study was not conducted for this project. TR 692. When questioned regarding who would pay the cost of adding this fuel diversity to TECO's territory, Witness Aldazabal admitted that the costs of this project will fall on ratepayers. TR 786.

Similarly, the Polk 1 Flexibility Project, which also does not add capacity to TECO's service territory, is being requested as a 2026 SYA, costing customers \$80.5 Million. TR 652. This project plans on converting a CC unit at Polk 1 to a simple cycle gas unit. However, as Witness Aldazabal admits, even with this "upgrade" at Polk 1, TECO is still planning on using it at less than five percent of its capacity factor. TR 769; Exhibit 808, MPN F6-399. Not only is this project not a capacity project, the Polk 1 Flexibility Project has the potential to increase customers' costs if the price of gas becomes higher than the cost of coal, which it did in 2022. TR 776. While TECO projects that gas prices will remain lower than coal, gas prices are still increasing annually. Exhibit 804, MPN F6-361-362.

Both the Polk Diversity Project and the Polk 1 Flexibility Project should be denied from SYA rate recovery because they add no capacity (and actually subtract capacity in the case of the Polk 1 Flexibility Project), are not prudent, and come at an unfair cost to ratepayers.

IV. TECO's Grossly Excessive ROE and Equity Ratio Requests Should Be Rejected.

TECO's requested 11.5% return on equity (ROE) and 54% equity ratio are unjustifiably high and lead to rates that are not fair, just and reasonable. It is well known that a high ROE will offset risk from a lower equity ratio and similarly, a higher equity ratio will offset risk from a lower ROE, TR 2822–2823,¹¹ as TECO's own witness admits, TR 2046. TECO's requested ROE and equity ratio are inappropriately high in isolation; to approve both would benefit only TECO's shareholders, while burying its customers—who are already struggling under the yoke of TECO's massive bills—under even higher bills. Approving TECO's ROE increase from its current 10.2% (which is already among the highest in the nation, *see* Exhibit 321, MPN F2.1-6124–6130), to its requested 11.5% will cost ratepayers an additional \$82.5 million each year. TR 400–401.¹² Worse, customers won't receive a penny's worth of additional services or benefits as that \$82.5 million per year will flow away as a windfall to shareholders. Both TECO's ROE and equity ratio should be rejected, and the Commission should instead approve an ROE of no higher than 9.5% and an equity ratio of no higher than 43.41% (representing a 50-50 equity to debt ratio).

Regarding ROE, it is well established that a reasonable ROE is one that: 1) reflects the returns the investors would expect from like investments of comparable risk, 2) is reasonably

¹¹ “For example, suppose an electric utility has an authorized ROE and common equity ratio of 10.0% and 50.0%. Financially, the same utility would be at about the same point with authorized ROE of 9.0% but with a common equity ratio of 55.0%.” TR. 2823.

¹² $11.5 - 10.2 = 1.3$. $1.3 \times \$63.19 \text{ million} = \82.1 million .

sufficient to assure investor confidence that the utility is financially sound, and 3) is adequate for the utility to maintain creditworthiness and attract capital. *Fed. Power Comm'n v. Hope Nat. Gas Co.* (“Hope”), 320 U.S. 591, 603 (1944); *Bluefield Waterworks & Imp. Co. v. Pub. Serv. Comm'n of W. Va.*, 262 U.S. 679, 692–93 (1923). In other words, an ROE should be just high enough to allow a utility to attract investment from shareholders to construct and maintain a functional system—too low and the utility suffers, too high and the captive ratepayers suffer.

It is clear that in the present case, TECO’s ROE request is being driven by factors other than the *Hope* and *Bluefield* standard. First, TECO’s requested 11.5% ROE would be higher than any vertically integrated electricity utility from 2021 through the present. Exhibit 321, F2.1-6124–6133 (chart of outcomes for all rate cases between 2021 through 2024, including pending cases); TR 3100–3101. TECO gives no reasoned explanation for why it should receive the highest ROE in the country, particularly given the Commission’s very recent approval of a 10.3% ROE for Duke Energy. TR 162. TECO is free to dislike the comparison, but the fact is that there is no more comparable utility in the world when it comes to setting an appropriate ROE in this proceeding: Duke Florida and TECO occupy *contiguous* service territories along the same stretch of the Gulf Coast of peninsular Florida, facing the same weather patterns and climate risks, are regulated by the same Public Service Commission under identical laws, and are facing identical market conditions since they filed their rate cases on the same calendar date for rates to be effective during the exact same period (January 1, 2025 to December 31, 2027). *See* TR 54–55; 141–142; 2106–2107.

TECO’s requested equity ratio is also far too high. Because equity financing is more expensive than debt financing, having an equity ratio higher than necessary will lead to needlessly higher rates. TR 2824. TECO’s requested equity ratio of 54% is among the highest

in the country. Exhibit 321, MPN F2.1-6124–6130. The expert for the Citizens of Florida testified that a regulated utility with a capital structure featuring a high equity ratio presents the Commission two options: either “impute a more reasonable capital structure that is comparable to the average of the proxy group used to determine the cost of equity” or else “recognize the downward impact that an unusually high equity ratio will have on the financial risk of a utility and authorize a common equity-cost rate lower than that of the proxy group.” TR 2824.

Ultimately, TECO’s own ROE expert, Witness D’Ascendis could not point to any evidence that TECO has been unable to obtain needed capital to provide service with its existing ROE and equity ratio, nor that TECO would not be able to obtain sufficient capital do make necessary investments during the 2025 test year. TR 2090–2091. Instead, what really appears to be driving TECO’s grossly overinflated ROE and equity ratio requests is the high level of debt that its parent company Emera, Inc., took on when it purchased TECO in the first place. Witness D’Ascendis’ workpapers contain a Moody’s Investment Services report that emphasizes the “significant amount of debt and subordinated hybrid notes” Emera issued “to finance its acquisition of TECO Energy in 2016” as well as Emera’s ensuing attempts since that time “to reduce holding company leverage.” Exhibit 177, MPN E3459; TR 2074–2077. As TECO is Emera’s most profitable subsidiary, the Moody’s analysts concluded that “Emera may need to incrementally rely on Tampa Electric more to support parent debt and dividend obligations.” *Id.*; *see also* TR 3566–3567 (confirming 100% of TECO dividends are ultimately remitted to Emera). TECO CEO Archie Collins likewise admits that Emera—not TECO—has been experiencing cash flow constraints and risks credit downgrades. TR 165. Emera’s first utility, Nova Scotia Power, has an authorized ROE of 9% with a 40% equity ratio. TR 207–208. And, under Nova Scotia law, that utility is prohibited from increasing rates beyond 1.8% per year. TR 285;

Exhibit 449, BS 6042. Because other Emera subsidiaries operate under more consumer-friendly capital structures,¹³ Emera has set its sights on Florida to try to make excessive profits. TR 2077 (Witness D’Ascendis observing that “Emera . . . [has] invested in American companies because, generally, the risk is the same, but the return is higher in America.”). The record is replete with evidence that Emera is counting on TECO to disproportionately generate income for Emera. *See, e.g.*, TR 2074–2077; Exhibit 177, MPN E3459; Exhibit 242, MPN 2.1-4033 (growing rate base as highest Emera priority and emphasizing “Capital plan focused on Florida driving higher [earnings per share] growth”); Exhibit 249, MPN 2.1-4252 (investor presentation highlighting TECO’s pending rate case on slide about “strengthening” Emera’s balance sheet). Among its various utility holdings, Emera has about 2.5 million customers. TR 335. With about 840,000 customers, TECO makes up a rough third (33.6%) of Emera’s total customer base yet comprised fully 54% of Emera’s adjusted net income for 2023. TR 335.

It’s easy to see how. Emera anticipates spending “approximately 75 percent of Emera’s \$9 billion capital investment plan over the 2024 through 2026 period” in Florida, TR 333; Exhibit 773, BS 15770, while TECO alone represents 61.5% of the total capital spend, with a forecast of 7-8% growth in rate-base through 2029. TR 330, Exhibit 542, MPN F3.1-2498, 2505. As recently as this August, Scott Balfour—who in addition to serving as Emera’s CEO, also *chairs* TECO’s board of directors—boasted of “strong operational performance and customer growth in our utilities, particularly Tampa Electric and Peoples Gas, which underscores

¹³ For example, Emera Newfoundland & Labrador Holdings Inc.: 8.75%-9.25% ROE/30% equity; New Mexico Gas (pending sale initiated after current rate case filed): 9.375% ROE/52% equity; Barbados Light & Power: 10.0% ROE; Grand Bahama Power Company: 8.52% ROE. Exhibit 242, MPN F2.1-4055–4059.

the significance of our Florida operations and reinforces the strategic decision to reallocate capital to invest in our strongest businesses.” TR 331; Exhibit 543, MPN F3.1-2515.

TECO’s proposed ROE and equity ratio are a transparent attempt to siphon even more money away from hardworking Floridians to transfer as a windfall of dividends to a foreign company. Emera and TECO executives have boldly announced that they expect this Commission not to look too closely at their filings and rubber stamp new windfalls; the Commission should reject this invitation and should reject an ROE and capital structure that cost customers far more than necessary for TECO to provide reliable service.

V. Costs Related to TECO’s IT Upgrades, Including the Grid Reliability Project, are Unjustified and Should Be Rejected.

TECO proposes its Grid Reliability and Resilience Project, a multi-year project designed to enhance its already sufficient reliability and security metrics through more than 40 different subprojects. TR 1118. The company purports this project is needed to “replace obsolete systems and equipment that have reached end of life” and to meet “customer demands for greater reliability.” TR 1120. These projects span from 2023 to 2030. TR 1164. As described below, this entire project is not just unnecessary, it also proposes to have TECO’s customers pay for many of its unneeded upgrades that will not directly benefit them.

Firstly, TECO is already doing well in terms of reliability and security. As Witness Whitworth states, TECO believes the “reliability of our service has the most impact on our customer experience.” TR 1108. Mr. Whitworth admits that the Company’s reliability has “steadily improved since 2021.” TR 1110. In fact, not only is TECO doing well, in terms of reliability, according to its own board meeting presentation, TECO has been second-place state-wide with “minimal reliability engineering and proactive preventative maintenance programs.” TR 1177. Exhibit 181, MPN E4022. This entire project is geared towards both engineering and

proactive preventative maintenance programs, which TECO has shown it does not need to perform well in terms of reliability. In terms of security, Witness Heck testified to a whole team at TECO geared towards security, one that has also been performing well. TR 1314-1315.

In terms of benefits related to the Grid Reliability and Resilience Project, even though the Company boasts it will benefit all customers, the Company's own MAIFI and SAIDI projections show that residential customers will only reap 5-6% of the benefits from this project. TR 1178-1179, Exhibit 725, MPN F3.5-24488; Exhibit 726, MPN F3.5-24492. As Mr. Whitworth admits, residential customers make up the majority of TECO's service. TR 1178-1179. The Company inflates its claims to benefits to "all" customers, when its own calculations show that the largest customer base will benefit the least.

The Grid Communication Network Project is a particular subproject of the Grid Reliability and Resilience Project that places a high price tag for TECO to get its own private LTE network that its customers will have to pay. The Company also considered a public LTE network but decided against it because it "may expose the Company to security risks." TR 1222-1223. However, as stated above from Witness Heck, TECO already has a cybersecurity team that works on protecting the Company from security risks. While the Company states it looked at other utilities that have implemented a private LTE network, Witness Lukcic testified to the fact that the majority of TECO's peer utilities to TECO do not have private LTE network. TR 1290. Through TECO's Burns and McDonnell Study, which looked at what the roll-out of a private LTE network would be, most of the costs related to this project are due to the private LTE devices, followed by the private LTE contract with Spectrum. TR 1291. Exhibit 639, MPN F3.3-5842. The private LTE network, and the Grid Communication Network Project are costly,

unnecessary boondoggles and TECO should not be recovering any related costs through customer rates.

VI. Various Other Provisions of TECO's Rate Case Are Due To Be Rejected

A. TECO's Attempts to Extract Additional Revenue from Residential Customers from Excessive Service Charges Should Be Rejected.

Another consequence of using TECO's proposed 4CP with MDS cost of service model is an unjust increase in service charges. For example, in 2021, under the previously approved cost model, the cost for reconnecting at the meter was \$11.75 and the fee charged was \$12. TR 3728-29; Exhibit 550, MPN F3.1-2882. Under TECO's new model, the cost has almost doubled, to \$20.42, with a proposed fee of \$18, a 50% increase in the proposed fee. TR 3729; Exhibit 550, MPN F3.1-2882. With advanced metering infrastructure, such costs should be minimal, and 95% of the time, customers are successfully disconnected automatically without human involvement, TR 3731; Exhibit 695, MPN F3.4-14741, and therefore should have zero associated costs. Instead, it is labor costs that are driving up the cost, which would occur when TECO's automated process (which customers are paying for through the Clean Energy Transition Mechanism) fails. TR 3731-32. Customers should not be penalized with higher, punitive fees due to TECO's failures, especially when customers have already invested the money for that automatic infrastructure and associated lower costs. Failures of TECO should be borne by TECO, not TECO's hardest-hit customers that are struggling to pay their bill and come up with money to catch-up on their bill *and* pay the reconnection fee, sometimes needing money from their church community to help them out and get their power back. Transcript of June 13, 2024 Service Hearing at 102 (DN 07426-2024).

B. Depreciation Should Match Service Lives.

Florida Rising and LULAC adopt the Office of Public Counsel's more detailed arguments regarding why depreciation rates should match the service lives of TECO's projects. TECO did file a revision agreeing to use a 20-year service period for battery storage assets, and the depreciation rates that the Commission approves should match that, along with the 35-year service period for solar assets, unless TECO puts forward evidence that solar facilities will not last 35-years, depreciation rates should continue to match the service lives, and thus should be set at 35 years. TR 2272.

C. CCS Should Be Rejected.

Recovery for the carbon capture and sequestration (CCS) project at Polk Unit 2 should be disallowed, and at the very least not have its costs allocated 4CP basis. First, the project is not and will never be "used and useful in the public service" of providing electricity. § 366.06(1), Fla. Stat. The current recovery sought is for exploratory wells into the limestone strata below the Polk plant to evaluate its geological capacity for future storage of captured carbon dioxide. TR 883–84. The wells definitionally will never generate, transmit, or distribute energy, and this R&D project is thus inappropriate to add to rate base. TR 888; *Citizens of State v. Graham*, 191 So. 3d 897, 901 (Fla. 2016).

TECO also inappropriately proposes to allocate the CCS project on an 4CP basis, which is flawed for two reasons. First, any fully implemented CCS system incurs an "energy penalty," consisting of the energy the associated generating unit must divert away from the grid to power

the CCS equipment. TECO acknowledges that this is true for any CCS system. TR 888–89.¹⁴ That means that CCS will necessarily lower peak capacity, and should be allocated on an energy, not demand basis. TR 890–892. Second, CCS would be operated in variation with energy, not capacity; that is, the CSS run when the unit is running, not only at peak demand. In fact, the very carbon sought to be captured comes from the fuel feedstock, which again is an energy, rather than demand, concept. *Id.*

Finally, if the CCS project experiences higher than anticipated capital costs—a significant risk with technologies, like CCS that have never be widely developed and implemented at scale—the only way for the project to be cost effective is under a “medium carbon costs” regime. TR 902–903; Exhibit 678, F3.4-7175. Nothing in the record suggests that such carbon costs are imminent, nor did TECO’s Vice President of Clean Energy and Emerging Technology indicate any existing or proposed carbon costs at either the federal or state level. TR 903. In sum, while recovery for the CCS project should be entirely disallowed, at the very least, its costs should be allocated using a 12CP and 50% AD cost of service methodology.

D. Research and Development Projects Should be Rejected.

The research and development projects that TECO has proposed as part of this rate case are also due to be rejected. TECO has not given any reason, beyond wanting to spend some money on new technology that further enlarges rate base, for the microgrid and flow battery project to be approved. As TECO admitted, they are not cost-effective, TR 893–894, but instead are for it to better understand the technologies. Florida Rising and LULAC submit that rather

¹⁴ Witness Stryker claims that TECO would offset the energy penalty incurred to Polk Unit I by planned retrofits to uprate the unit, TR 889–90. This only cancels out the effect relative to the *pre-uprate* baseline; any unit capable of running a CCS system will lose peak firm output to the grid if the system is turned on, and TECO does not argue otherwise.

than spend millions of dollars of ratepayer money for TECO on two technologies that may not go anywhere and may never lead to any benefits for TECO's customers, TECO should read some engineering journals and trade publications to research what technologies will actually benefit TECO's customers, and then employ those technologies once those technologies have matured sufficiently to actually benefit TECO's customers. Only then will such money be prudently incurred and used and useful for TECO's customers.

E. Customer Enhancement Projects Should Be Rejected.

TECO seeks recovery for \$13.4 million in additional rate base spending on a bevy of costly "customer experience" projects, Exhibit 17, MPN C2-149, all of which should be rejected as unneeded and imprudent. The projects include customer digitization (\$4.4 million), advertising expenses (\$3.8 million), operational efficiency and AI programs (\$4.1 million), and optional customer programs (\$4.9 million). TR 463–466.

Crucially, TECO's Vice President of Customer Experience testified that all of the related spending was necessary to meet "changing customer expectations" about digitization and interactive technology. TR 463. However, when TECO polled its own customers, responses overwhelmingly rejected any additional spending on these types of projects if it would impact bills. Exhibit 237, MPN F2.1-1381. Specifically, the top negative responses for things that customers were not willing to pay *any* additional cost for included: "digital service options (such as mobile apps, billing and website)" (86% of respondents); "information on topics I care about" (84%); "electric vehicle purchases or charging infrastructure" (81%); and "improved customer service" (79%). *Id.* In contrast to the documented customer opposition to additional spending on these projects in the record, TECO does not refer to any record evidence supporting Witness Sparkman's claims to the contrary.

TECO has already spent roughly \$40 million dollars from 2022 through 2024 on customer experience, Exhibit 17, C2-149, yet customer satisfaction has declined each year of that period, largely driven by customer frustration with high bills, TR 542, 559–561. The record shows that additional spending in this domain will serve to keep bills elevated, not to provide customers a better experience, thus recovery for these unneeded projects should be disallowed.

F. Excessive Compensation for TECO's Executives Should Be Rejected.

TECO's incentive programs, especially its long-term incentive program benefiting its executive leadership, should be rejected as excessive and as not serving TECO's customers. As illustrated by TECO's own scorecards, such incentives are largely predicated on financial goals for TECO, such that the entire scorecard cannot pay out more than target if TECO does not meet its net income goal, and the measure with the highest weight is net income. TR 1469. Net income, of course, is not a customer service, nor is it a measure of keeping the lights on. Net income has no direct relation to the customer experience, yet, this is what customers are paying long-term incentives to TECO's executive leadership for. The survey TECO relied on regarding other organizations showed that 53% of the 3,220 organizations surveyed did not offer any long-term incentive plan. TR 1463. The long-term incentive program is not in the interests of TECO's customers, and therefore TECO's customers should not be responsible for paying it.

To the extent TECO wants to keep compensating its executives at such excessive rates, it should pay such costs itself and not have that money come from ratepayers. CEO and President of TECO made a little over \$2.7 million (Canadian) in 2023, which, given the trend, is likely to only continue to increase. TR 342; Exhibit 544, MPN F3.1-2615. By contrast, the Governor of the State of Florida makes \$141,400.20 per year. There is no reason the CEO of TECO needs to make such money to attract talent. As shown by Exhibit 758, much of the short term and long

term incentive program goes to just a few executives at TECO. The bonus and other compensation often exceeds the base salary, and in many cases, the long-term incentives exceed the short-term incentives. TR 1478. Florida Rising and LULAC believe that Exhibit 758 speaks for itself as to the excessive compensation that TECO's executives are receiving, especially in comparison to how top officers of the state of Florida are compensated. There is no reason TECO's customers should be paying for such excessive compensation, but instead, should TECO believe such compensation is warranted, it should use shareholder money for such expenses.

Nor is such excessive compensation limited to the top executives. Short-term incentives are excessive too, considering virtually all employees receive them every year. In 2023, out of 2,706 employees, only 40 employees did not receive incentive compensation, which included people who would otherwise not be eligible (interns and temporary employees, etc.), TR 1465-66, indicating that no one who was actually an eligible employee may have actually been denied short-term compensation. When everyone receives the incentive for being a "good" employee, such compensation is not actually being used to incent good behavior that helps customers, but rather is just being used to further increase salaries for employees. That is not the purpose of incentive compensation, and TECO's customers should not be the ones footing the bill for such compensation.

G. Staff's Audit on TECO was Insufficient and Potentially Reflects an Inaccurate Rate Recovery Request.

The financial audit conducted by Staff, which was intended to review invoices and recommend disallowances for rate recovery, appears to be insufficient, as Staff cannot verify whether the disallowances were actually made.

Staff's audit report was prepared under the direction Staff Witness Tomer Kopelovich. TR 2137. The overall objective of the audit was to "determine whether the [TECO]'s 2023

historic year-end filing in Docket No. 20240026-EI is consistent and in compliance with Section 366.06, F.S. - Rates, Procedures for Fixing and Changing, and Commission Rule 25-6.043, F.A.C. - Investor Owned Electric Utility Minimum Filing Requirements.” Exhibit 138, MPN C34-3785. The audit returned two findings and recommendations. The first finding was regarding Association Dues and Economic Development, where “Audit staff reviewed all industry association dues and economic development expenses to determine whether the Utility included the appropriate amount in expenses, and if any expenses were for political purposes.” *Id.*, MPN C34-3788. Staff recommended further removing \$748,467 from O&M expense account 912. *Id.*, MPN C34-3790. The second finding was regarding Advertising where “Audit staff requested a statistical sample of the Utility's print and audio/visual advertisements and traced them to supporting documentation.” *Id.*, MPN C34-3789. Staff recommended a reduction of “\$474,843 from the advertising expenses reflected on MFR Schedule C-14.” *Id.*, MPN C34-3791.

Witness Kopelovich was asked about invoices reviewed by Staff, including a \$10,000 invoice from the Republican State Leadership Committee. Exhibit 736, MPN F3.5-24684. However, when asked about the associated percentages of disallowance, ranging from 5% to 100%, that Staff recommended for political activities, Exhibit 741, MPN F3.5-24830, Witness Kopelovich did not know how those percentages were determined, TR 2145. When asked whether Staff confirmed these reductions were reflected in the final rate recovery request, Witness Kopelovich did not know. TR 2144–2145.

Being unable to speak to whether Staff’s recommended disallowances were made, nor to how those disallowances were determined, illustrates a potential miscalculation to TECO’s final

rate request. The Commission should confirm these removals were, in fact, made, as well as confirm the method in which disallowances are calculated.

CONCLUSION

TECO gets both the revenue requirement and how the revenue requirement should be distributed wrong. As shown by TECO's own documents, its generation investments are being, and have for some time been, made overwhelmingly for their energy value, not their capacity value. Therefore, to fairly allocate those costs, a 12CP and 50% AD cost of service study, as proposed and submitted by Florida Rising and LULAC witness Mr. Rábago should be utilized. Furthermore, TECO's excessive asks on return on equity and rate base inflation must be rejected. TECO should be allowed to make a reasonable profit allowing it to make needed investments to reliably serve customers and no more, yet, almost everything TECO asks for in this case is not needed to serve customers and is excessive. With the undisputed third highest electric bills in the nation, it is time to follow the dictates of Florida law and make TECO's electric bills affordable for TECO's residential customers once again.

RESPECTFULLY SUBMITTED this 21st day of October, 2024.

/s/ Bradley Marshall
Florida Bar No. 0098008
bmarshall@earthjustice.org
Jordan Luebke
Florida Bar No. 1015603
jluebke@earthjustice.org
Earthjustice
111 S. Martin Luther King Jr. Blvd.
Tallahassee, Florida 32301
(850) 681-0031
(850) 681-0020 (facsimile)

Hema Lochan
Qualified Representative
Earthjustice
48 Wall St., 15th Fl

New York, NY 10005
hlochan@earthjustice.org
flcaseupdates@earthjustice.org

*Counsel for Florida Rising and League of
United Latin American Citizens*

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy and correct copy of the foregoing was served on this 21st day of October, 2024, via electronic mail on:

<p>Adria Harper Carlos Marquez Timothy Sparks Florida Public Service Commission Office of General Counsel 2540 Shumard Oak Blvd. Tallahassee, FL 32399-0850 aharper@psc.state.fl.us cmarquez@psc.state.fl.us tsparks@psc.state.fl.us discovery-gcl@psc.state.fl.us</p>	<p>Leslie R. Newton Ashley N. George Thomas A. Jernigan Ebony M. Payton 139 Barnes Dr., Suite 1 Tyndall Air Force Base, Florida 32403 Leslie.Newton.1@us.af.mil Ashley.George.4@us.af.mil Thomas.Jernigan.3@us.af.mil Ebony.Payton.ctr@us.af.mil</p>
<p>Jeff Wahlen Malcolm N. Means Virginia L. Ponder Ausley McMullen 123 South Calhoun Street Tallahassee, FL 32301 jwahlen@ausley.com mmeans@ausley.com vponder@ausley.com</p>	<p>Patricia A. Christensen Walt Trierweiler Office of Public Counsel c/o The Florida Legislature 111 W. Madison Street, Room 812 Tallahassee, FL 32399-1400 christensen.patty@leg.state.fl.us trierweiler.walt@leg.state.fl.us</p>
<p>Jon C. Moyle, Jr. Karen A. Putnal Moyle Law Firm, P.A. 118 North Gadsden St. Tallahassee, FL 32301 jmoyle@moylelaw.com kputnal@moylelaw.com</p>	<p>Robert Scheffel Wright John T. LaVia Gardner, Bist, Bowden, Dee, LaVia, Wright, Perry & Harper, P.A. 1300 Thomaswood Dr. Tallahassee, FL 32308 schef@gbwlegal.com jlavia@gbwlegal.com</p>
<p>Sari Amiel 50 F St. NW, Eighth Floor Washington DC 20001 (301) 807-2223 sari.amiel@sierraclub.org</p>	<p>Paula K. Brown Tampa Electric Company P. O. Box 111 Tampa, FL 33601-0111 regdept@tecoenergy.com</p>
<p>Nihal Shrinath 2101 Webster Street Suite 1300 Oakland CA 94612 nihal.shrinath@sierraclub.org</p>	<p>Floyd R. Self Ruth Vafek Berger Singerman, LLP 313 N. Monroe St., Suite 301 Tallahassee, FL 32301 fself@bergersingerman.com rvafek@bergersingerman.com</p>

Stephanie U. Eaton Spilman Law Firm 110 Oakwood Drive, Suite 500 Winston-Salem NC 27103 SEaton@spilmanlaw.com	Steven W. Lee Spilman Law Firm 1100 Bent Creek Boulevard, Suite 201 Mechanicsburg PA 17050 SLee@spilmanlaw.com
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DATED this 21st day of October, 2024.

/s/ Bradley Marshall
Attorney