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September 4, 2025

VIA: ELECTRONIC FILING

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

Re: Fuel and Purchased Power Cost Recovery Clause with Generating Performance Incentive Factor; FPSC Docket No. 20250001-EI

Dear Mr. Teitzman:

Attached for filing in the above docket is Tampa Electric Company's Projection Testimony for the period January 2026 through December 2026, as follows:

- Prepared Direct Testimony of John C. Heisey.

Thank you for your assistance in connection with this matter.

Sincerely,

Malcolm N. Means

MNM/bml
Attachment

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

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing Projection Testimony, filed on behalf of Tampa Electric Company, has been furnished by electronic mail on this 4th day of September 2025 to the following:

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ATTORNEY

BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 20250001-EI

FUEL & PURCHASED POWER COST RECOVERY

AND

CAPACITY COST RECOVERY

PROJECTIONS

JANUARY 2026 THROUGH DECEMBER 2026

TESTIMONY

OF

JOHN C. HEISEY

FILED: SEPTEMBER 4, 2025

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

JOHN C. HEISEY

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

A. My name is John C. Heisey. My business address is 3600 Midtown Drive, Tampa, Florida 33607. I am employed by Tampa Electric Company ("Tampa Electric" or "company") as Senior Director, Origination and Trading.

Q. Have you previously filed testimony in Docket No. 20250001-EI?

A. Yes, I submitted direct testimony on April 2, 2025, and July 25, 2025.

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

A. No, they have not.

Q. Please describe your duties and responsibilities in that

position.

A. I am responsible for directing all activities associated with the procurement and delivery of energy commodities for Tampa Electric's generation fleet. Such activities include the trading, optimization, strategy, planning, origination, compliance and regulatory oversight of natural gas, power, coal, oil, byproducts, and wholesale renewable energy credits ("RECs"). I am also responsible for all aspects of the Asset Optimization Mechanism.

Q. What is the purpose of your testimony?

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

Fuel Mix and Procurement Strategies

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

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

on natural gas or coal. Polk Unit 1 simple cycle and Unit 2 combined cycle use natural gas as a primary fuel and oil as a secondary fuel; and Bayside Station combined cycle units and the company's collection of peakers (*i.e.*, aero-derivative combustion turbines) all utilize natural gas. South Tampa Resilience Project MacDill Units 1 and 2 operate on natural gas. Since oil serves as a backup fuel, oil consumption is primarily for testing, resulting in it being a negligible percentage of system generation. Based on the 2025 actual-estimate projections, the company expects 2025 total system generation, excluding purchased power, to be 87 percent natural gas, 12 percent solar, and 1 percent coal.

Likewise,in 2026, natural gas-fired and solar generation are expected to be 83 percent and 15 percent of total generation, respectively, with coal-fired generation making up 2 percent of total generation.

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

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

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

Natural Gas Supply Strategy

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

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

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

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

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

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

ability to deliver natural gas from these two pipelines to both Bayside Power Station, which is composed of two large natural gas combined-cycle units and four aero-derivative combustion turbines, and Big Bend Station, which is comprised of one combined cycle unit, one steam generating unit, and one aero-derivative combustion turbine, increases the fuel delivery reliability for these stations. Polk Station receives natural gas from FGT only to support natural gas consumption in Polk Units 1 and 2. Although the Gulfstream pipeline does not deliver to Polk Station, the station does have the benefit of on-site secondary fuel.

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

A. No. Tampa Electric's natural gas usage is expected to decrease by four percent in 2026 when compared to 2025; due to an increase in solar and coal generation.

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

A. Tampa Electric maintains natural gas storage capacity with Bay Gas Storage near Mobile, Alabama to provide

operational flexibility and reliability of natural gas supply. The company reserves 2,000,000 MMBtu of long-term storage capacity at this location. The company used this storage during Storm Uri in February 2021, Storm Elliott in December 2022, and the Gulf Coast blizzard in 2025 to replace interrupted supply and to mitigate costs for our customers.

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

Tampa Electric also reserves capacity on the Southeast Supply Header ("SESH"), Gulf South pipeline ("Gulf South"), Transco's Mobile Bay Lateral ("Transco"), and Trunkline Gas Company LLC ("Trunkline"). SESH, Gulf South, Transco, and Trunkline are upstream pipelines that connect the receipt points of FGT, Gulfstream, and other Mobile Bay area pipelines with natural gas supply in the mid-continent, northeast, and Permian basin. Mid-continent, northeast, and Permian basin natural gas production, specifically shale production, has grown and continues to increase. Thus, SESH, Gulf South, Transco,

and Trunkline capacity give Tampa Electric access to secure, lower priced onshore gas supply for a portion of its portfolio. Tampa Electric continuously evaluates its gas transportation portfolio based on changing market conditions to ensure access to reliable natural gas supply. All receipt points in the portfolio are reviewed annually to ensure access to reliable supply basins.

Q. Has Tampa Electric acquired additional natural gas transportation for 2025 and 2026 due to greater use of natural gas?

A. Yes. Tampa Electric acquired additional mid-term capacity on Gulfstream in late 2024. In addition, the company executed power purchases for December 2024 through February 2025 as a lower cost solution compared to acquiring additional short-term pipeline capacity. These power purchases are mentioned in the Direct Testimony of Benjamin F. Smith, II. Tampa Electric continuously monitors market conditions and opportunities to improve portfolio reliability.

Coal Supply Strategy

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

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

Coal is not a homogenous product. The fuel's chemistry and contents vary based on many factors, including geography. The variability of the product dictates that Tampa Electric selects its fuel based on multiple parameters. Those parameters include unique coal quality characteristics, price, availability, deliverability, and creditworthiness of the supplier.

Tampa Electric monitors the market to obtain the most favorable prices from sources that meet the needs of the generation stations. The use of daily and weekly publications, independent research analyses from industry experts, discussions with suppliers, and coal solicitations aid the company in monitoring the coal market. This market intelligence also helps shape the

company's coal procurement strategy to reflect short- and long-term market conditions. Tampa Electric's strategy provides a stable supply of reliable fuel sources. In addition, this strategy provides the company with the flexibility to take advantage of favorable spot market opportunities and address operational needs.

Q. Please summarize how Tampa Electric will manage its solid fuel supply contracts through 2026.

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

Coal Transportation

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

A. Tampa Electric can receive coal at its Big Bend Station

via waterborne or rail delivery. Once delivered to Big Bend Station, solid fuel is consumed onsite. As a result of declining solid fuel burns over the last few years, Tampa Electric now purchases delivered coal, where waterborne coal supply and transportation are arranged by the supplier. Procuring delivered waterborne coal continues to provide customers with competitive coal prices through a simplified process. Commodity and transportation of coal by rail is still being arranged separately, as necessary.

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

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

shortages in the rail industry.

Q. Will Tampa Electric continue to receive coal deliveries via rail in 2025 and 2026?

A. No. Tampa Electric does not expect to receive coal for use at Big Bend Station through the Big Bend rail facility during 2025 and 2026.

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

A. Tampa Electric expects to utilize the majority of its solid fuel supply in 2026 from its existing inventory. Any incremental solid fuel requirements will be procured through short-term waterborne deliveries to the company's unloading facilities at Big Bend Station. These deliveries come via the Mississippi River System. The ultimate supply source is dependent upon quality, operational needs, and lowest overall delivered cost.

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

A. Yes. Big Bend Unit 4 is projected to burn coal and gas in

2026. Although coal consumption has decreased relative to previous years, the expected coal burn in 2026 will be slightly higher than 2025.

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

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

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

A. Yes. Tampa Electric has been operating under an Asset Optimization Mechanism since January 1, 2018. The

Commission extended the Asset Optimization Mechanism in Order No. PSC-2025-0038-FOF-EI, issued February 3, 2025 in Docket No. 20240026-EI. This Asset Optimization Mechanism encourages Tampa Electric to market temporarily unused fuel supply assets to capture cost mitigation benefits for customers. These benefits have come through economic power purchases, economic power sales, participation in the Southeast Energy Exchange Market ("SEEM"), resale of unutilized fuel supply, an asset management agreement for natural gas storage, utilization of natural gas storage, and transportation assets.

Projected 2026 Fuel Prices

Q. How does Tampa Electric project fuel prices?

A. Tampa Electric reviews fuel price forecasts from sources widely used in the industry, including the New York Mercantile Exchange ("NYMEX"), S&P Global, the Energy Information Administration ("EIA"), and other energy market information sources. Future prices for energy commodities as traded on NYMEX, averaged over five consecutive business days ending August 22, 2025, form the basis of the natural gas and No. 2 oil market commodity price forecasts. The price projections for these two commodities are then adjusted to incorporate

expected transportation costs and location differences.

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

Q. How do the 2026 projected fuel prices compare to the fuel prices projected for 2025 in the company's fuel and purchased power cost recovery filing filed on September 5, 2024?

A. Natural prices are expected to increase in 2026. Even though the outlook has additional production coming online, the expectation is that demand from a new wave of LNG export projects will counter that increase. The 2026 projected coal prices are similar to those in 2025.

The commodity price for natural gas during 2026 is projected to be higher ($3.82 per MMBtu) than the 2025 price ($3.59 per MMBtu) projected in the company's 2025

fuel and purchased power cost recovery fuel filing approved by Order No. PSC-2024-0481-FOF-EI on November 22, 2024. The 2026 delivered coal price projection is the same as ($91.33 per ton) the price projected for 2025 ($91.33 per ton) during preparation of the 2025 fuel clause factors.

Q. Does this conclude your direct testimony?

A. Yes.