

A Florida CEO Looks Ahead to 2024

Conversation with Tampa Electric CEO
Archie Collins,
with Guidehouse partner Ted Walker



ECO Energy is the parent company of Tampa Electric, which has been serving customers in Florida since 1899, and in 2016 was acquired by Emera, a Nova Scotia, Canada-based energy company. Reliability is a big deal at the utility, which geographically is prone to hurricanes and storms.

That is why Tampa Electric is investing some one hundred fifty million dollars each year in a ten-year Storm Protection Plan. It is investing in new technology, power line undergrounding, and better vegetation management, to name a few of its infrastructure upgrades.

There is so much going on at Tampa Electric, that Public Utilities Fortnightly's Steve Mitnick and Guidehouse's Ted Walker caught up with its busy leader, CEO Archie Collins, to discuss the future of this long-standing utility. Listen in as Collins looks ahead to 2024.

PUF's Steve Mitnick: What were the most important accomplishments in 2023 at Tampa Electric to leverage going into the new year?

Archie Collins: There were many successes that we can point to in 2023, and I'll provide an overview of a few of those. But I would also say that 2023 was a year where things felt just a little bit harder given the fact that utilities are capital-intensive and interest-rate sensitive.

In this environment where we're experiencing higher interest rates, those rates are pushing up our debt costs and depressing share prices. That's a challenging combination. We felt that pressure throughout 2023, and it will continue in 2024.

We're buoyed by the positive feedback from the Federal Reserve this week, but we continue to be concerned about the impact this will have on the business into 2024.

The other factor that created some headwind in 2023 was fuel costs. This year we had to ask our customers to begin repaying the very significant fuel under-recovery that we experienced in 2022.

That pushed rates higher, placing a strain on some customers' abilities to pay in a timely fashion and leading to an uncomfortable level of churn with our customers. All to say – the combined effect of higher interest rates and higher rates in 2023 was not a preferred environment for us to be operating within.

Having said all that, 2023 was a year where we accomplished some things that we are proud of. I'm going to point to a couple.

When customers are thinking about their utility, there is no question that price is important, but there are many other factors that flow into that value equation. How reliable is the utility? How resilient is the utility? How quickly does the utility recover from storm events? How efficiently is the utility operating its generating fleet in an effort to keep the fuel bill down?

In 2023, our electric reliability improved twenty-two percent as compared to 2022, and 2022 was a record year for the company. We measure reliability through the traditional metrics like SAIDI, SAIFI, and CAIDI, et cetera.

SAIDI is one of the core metrics; the average duration that customers are without power over the course of the year. We've got almost eight hundred fifty thousand customers. In 2018, our customers averaged one hundred ten minutes without power. This

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year the average is down to fifty-seven minutes.

The investments we've been making to modernize the grid – what we refer to as giving the grid a brain – together with the storm protection program, our investments to move more overhead assets underground, and increase vegetation management – are yielding meaningful benefits that customers are experiencing. That's been a high point this year.

From a resiliency perspective, we were blessed. We felt fortunate that Hurricane Idalia – a Category 4 hurricane – didn't come any closer than about ninety miles from our service territory.

At no point during that storm did we have more than seven thousand customers off. That is a reflection of the favorable path of Idalia, but it is also an indication of the improvements that we've made in the resiliency of our grid.

On the point of fleet efficiency – how efficiently we dispatch our generation to yield the lowest overall fuel bill for our customers – over the last three years we've improved our fleet efficiency by eleven percent. Our fleet averaged around 6,700 Btu/kWh in 2023.

In 2014 the efficiency of our fleet was 9,200 Btu/kWh. Through a combination of moving away from coal, advanced hardware upgrades that we have made on several of our CCGTs, and investments in renewable energy – twenty percent of our fleet is now renewable – fuel purchases in 2023 were down sharply. That is another one of our highlights for 2023.

Ted Walker: That was very interesting, and you hit a lot of points there. What do you see as the challenges in the year ahead?

Archie Collins: To build on the first point I made, that higher interest rates are not a preferred environment for electric utilities because they constrain the capital that we have to deploy. We're



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in the game of making investments that generate value for customers, and when we find ourselves in an environment like this one, we have to make choices.

More than ever, we need to be laser-focused on being certain that we are making the right investments in the right things at

Employees are proud to work for the company. There's great brand recognition for TECO within the State of Florida, and we have a great team.

The employees who work for this company have a high sense of ownership, and they internalize the importance of what we

the right time and that those investments are delivering the greatest value for customers. This is always our priority, but even more so going into 2024.

Another challenge we will continue to deal with in 2024 is confronting the ambiguity of the future of work. We all had to make choices during COVID in the name of business continuity.

In many respects, the pandemic became a moment in time that generated change in the way employees think about work and how they engage with work and with each other. And it changed the job market.

We provide a critical, essential service that every one of our customers and our community depends upon, and our view has been – and will continue to be – that we're better together, and that our business success is rooted in employee engagement, employee interactions, and employees learning from each other and passing knowledge from one generation to the next.

We have to keep one eye on the job market and another eye on our future. Threading this needle will continue to be a priority in 2024.

The other challenge we'll be facing in 2024 is the challenge we face all the time, which is maintaining stakeholder trust and confidence. In this period of higher interest rates and inflationary pressure, customers are acutely aware of the size of their electricity bill, so we need to be at our best.

We're a bit fortunate in that we already announced that we're reducing our electricity rates in 2024. Residential customer rates were reduced eleven percent on the 1st of January, and our commercial and industrial rates are dropping up to eighteen percent, so that's helpful.

PUF: How do you see your corporate culture and workforce developing further, not just in that area but maybe elsewhere?

Archie Collins: First of all, I'm biased. I'm the president and CEO of the company. This is a company with a great culture and a great history.

We're deeply rooted in West Central Florida.

do. Our purpose is clear, and it makes it easy for employees to rally around that. All to say, we have a great starting point in that it's a well-established culture and a great group of employees.

Our goal as leaders is to cultivate a culture of caring. Our job is to keep the well-being of our employees top of mind, and we believe that if we do that effectively our employees will take care of everything else. They'll take care of the customers and the assets. They will do it because they want to, not because they have to. That's the way we lead this company.

Where do we see the culture in the workforce developing further? We're trying to migrate from a group of value creators to a team with a competitive mindset. I acknowledge that these are unusual words in a regulated utility since we have historically not had to compete.

But the space is changing. And it's changing quickly. The model that we enjoy has been in place for a hundred years, but I don't think we can sit back and say that a hundred years from now it's going to look the same.

We are on the cusp of an era where there's going to be increased competition at the grid edge for our customers. Within the organization, we talk about value creation, leading with the customer in mind, and embedding that competitive mindset within all our employees, that we're competing for our customers now, and we need to be thinking about it that way. That's the competitive culture we're trying to build.

Ted Walker: You've hit on a couple areas of this already, but if you fast-forward to the end of 2024, which of these areas you mentioned do you think you'll have really got a handle on, and how would this conversation be different?

Archie Collins: On a macro level, I don't know that it would be much different. The nature of the utility business is we're playing a long game. We make investment decisions that have thirty-, forty-, fifty-year lives.

There's not a lot of short-term thinking, which simply means there's a lot of inertia in the organization such that our organizational and strategic priorities – our desires to be more reliable, more resilient, to be cleaner, to partner with our customers – those are cores that are not going to change. They will continue to be our priorities in 2024.

PUF: How do you characterize the value of Tampa Electric utility service for the customer?

Archie Collins: I have always found it odd that my phone bill and my cable bill are higher than my power bill. If you polled

customers and asked which of those three could you do without or which yields the greatest value to you, I think it is safe to say that everybody would say, "electricity is most important."

We all recognize that the value that is delivered to our community, the economy, and our customers because of what we do is significant, and it's only getting bigger. As we electrify, the dependency that customers have on the utility will grow.

I tell employees all the time that we're not in the business of selling electricity. That's not what we do. We're in the business of providing customers with security, safety, comfort, and convenience. When employees look at it through that lens, it completely changes the work they do.

Ted Walker: When you think about your role, what are you most looking forward to in the new year?

Archie Collins: No hurricanes, no recession, reduced interest rates, continued robust growth in the

West Central Florida region. I'm being a bit cheeky, but those are all important.

2024 is going to be a year where we are either going to see some easing of those interest rates, or you're going to see an increase in rate case applications that seek to align the allowed return on capital to account for higher debt costs. That's top of mind for us.

It's a privilege to do what I do. I work with a great group of employees in a community and in a state that is growing quickly. Our job as a utility is to stay one step ahead of our customers and do everything we need to do to enable their success.

There's been good work done in the company over the last number of years, and we look forward to building on that record of success in 2024. **PUF**

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Excerpted from the February 2016 issue of Public Utilities Fortnightly: Wendell Willkie, the electricity industry's undisputed leader through the tumultuous 1930s (as president of Commonwealth & Southern Corp.), and Republican presidential candidate in 1940, was born on February 18, 1892 in Elwood, Indiana. Willkie's utility holding company, Commonwealth & Southern, was one of the 14 companies of the so-called power trust, that accounted for over three-fifths of electricity industry revenues in the mid-1930s when the Public Utility Holding Company Act (PUHCA) became law. Under the new law's "death sentence," Willkie's company would separate its scattered holdings that were originally assembled for diversification.